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in the context of regional development (1958-1973)

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Abstract

The aim of this paper is to retrace the ways the European Investment Bank operated in Italy since its creation in 1958 to 1973. During these fifteen years, the Bank was strictly configured as an institution oriented to the recovering of regional imbalances and, consequently, the major part of its operations has been taken forward in Italy. After have considered the main phases by means of, during the first years, the EIB accomplished the goal of building its own accountability at the EEC and international levels, the analysis focuses on the Bank's activity in the Mezzogiorno. This means that the paper examines the EIB's relations with the Italian authorities and, namely, with the agencies of the 'extraordinary intervention', such as the Cassa per il Mezzogiorno and the regional credit institutes (Isveimer, Irfis and Cis), in order to understand the Bank's basic choices and conditionality in the context of the Italian economy, as well as the theoretical paradigms of intervention and its role in the scope of the nascent Community regional policy. During the 60s the EIB fully participated in the effort of reducing the gap between the Mezzogiorno and the Northern regions, contributing to the building of the Southern heavy and basic industry and trying to support public and private capital investments in the iron and steel, chemical and engineering sector.

Keywords

European Investment Bank, Regional Development, International Loans, Cassa per il Mezzogiorno, Extraordinary Intervention, North-South Divide

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Introduction

The creation, in 1957, of the European Investment Bank revealed the Six's willingness to build a specific financial institution, in order to intervene in the context of territorial and sectorial imbalances which the on-going integration of continental economies could have caused, namely in the peripheral areas. Italy, afflicted by an arduous internal dualism between Northern regions and the 'Mezzogiorno', played a relevant role. The country needed to give continuity to its development programme. From 1950, indeed, a specific 'extraordinary' legislation was trying to cause the South to take-off, by means of the creation of a specific organism, the 'Cassa per il Mezzogiorno' (also known as 'Cassa' or 'Casmez'), which was able to run international loans coming especially from the International Bank for Reconstruction and Development (IBRD), by giving suitable guarantees.

The EIB's beginning coincided with several changes that have been deeply transforming this scenario. They went from the strengthening of the Italian productive system's character as a 'mixed-economy' to a bigger impulse towards the goal of the industrialization in the context of the Southern-oriented policies. Added to this were the major changes in the international environment, which would have led IBRD to withdraw from Europe, favouring the consolidation of the EIB's role on the continent.

The period under consideration goes from 1958 to 1973. During these fifteen years, the Bank was strictly configured as an institution aimed at recovering regional imbalances and operated mainly in Italy, in support of the Mezzogiorno. Moreover, one of the main feature of these years was that a significant part of the management came from Italy, as proved by the two presidencies of Pietro Campilli (1958-59) and Paride Formentini (1959-1970), as well as by executives such as Luca Rosania, Alberto Campolongo, Romeo Dalla Chiesa and Giandomenico Sertoli. This aspect had drawn the attention of a part of the Italian historiography, persuaded that this 'Italian phase' was at the basis of the special interest of the Bank for the Mezzogiorno. In any case, this interest had already a place in the Treaties of Rome as well as in the institutional purposes that were given to the Bank. Chances are, in the context of this historical reconstruction, the additional effort that must be made is to understand how the dislocation of this peculiar composition of men and means among different scales of the European power has produced different interpretations of roles, functions and responsibilities and mutual conditioning schemes. The attempt is therefore to reconstruct the ways in which this financial institution operated in Italy, as well as its relations with the agencies of the 'extraordinary intervention', the basic choices in the context of the Italian economy, the theoretical paradigms of intervention and its role in scope of the nascent Community regional policy. In particular, the relationship that the European Investment Bank was able to establish with the Cassa per il Mezzogiorno and with the regional credit institutes operating in the sector of industrial incentives, represents one of the privileged areas of analysis on which to retrace the setting up of the new financial institution's credit policy.

The end of the periodization coincides with the early '70s, when the abandonment of the Bretton Woods monetary system and the subsequent oil shock provoked a dramatic break in the international order and the end of the thirtieth period of growth for the Western economy. This moment marked the entry into a new phase, in which the role of the EIB in Europe had to assume different meanings while, in Italy, the 'extraordinary intervention' witnessed the progressive deterioration of the cultural, political and economic reasons that had suggested its creation.

The EIB's mission and the first challenges for its management

When, with the entry into force of the Treaties of Rome in 1958, the European Investment Bank came into operation, the six member countries of the European Common Market (ECM) had just come out of a tough negotiation about the structure, the operating procedures and the purposes of the new

institution. In the two-year period after the Messina Conference of June 1955, negotiations were disentangled along a spectrum that went from a ‘German’ and an ‘Italian’ position: the first one was favourable to set up a banking institution capable of raising capital on international markets and making loans for productive and financially sustainable projects; the second one was oriented to the creation of a fund fed by the Member States, in order to provide resources for initiatives with a strong socio-economic impact and less linked to a logic of profitability¹. The idea of setting up a fund was progressively abandoned in favour of a banking institution aimed at recovering regional and sectorial imbalances within the nascent ECM. However, beyond this common ground there was no agreement on the exact function of the Bank, its philosophy of intervention and its operating methods.

It was therefore inevitable that issues that remained open were reflected in the early stages of life of the new Community institution, requiring interpreters called upon to decline, according to their specific mind-sets, the indications provided by the Treaty of Rome as well as by the *Protocol on the Statute of the European Investment Bank*. The starting point, in this sense, was the quantification of resources made available as well as the purposes assigned to their spending. First of all, the EIB had to operate relying on the shares subscribed by the Member States in addition to the capital drawn from the international markets². Secondly, the Bank would have had to operate without exposing itself to forex risks, thus guaranteeing itself by any potential change in the currency parities between the Six. Under art. 20 of its bylaws, the Bank – although it wasn’t a profit-making organization – had to make investments only in the context of initiatives that were financially sustainable, profitable and useful for ensuring an increase in European economic productivity. This results in the fact that the EIB had to operate according to banking criteria and supervise the use of borrowed funds, as well as the rapid implementation of projects and their technical and financial management. Finally, the institute could only intervene in a complementary way in relation to other public or private investment funds, in case there were no conditions for recourse to national sources. The Bank had to operate without competing with the national funding channels.

Starting from these criteria the EIB had to pursue its goals, inferable from art. 130 of Title IV of the Treaty of Rome: intervention in the regions lagging behind; support for the processes of modernization and restructuring of companies, especially if necessary for consolidation of the ECM; investments in projects of European size. In the early years, therefore, it was up to the Bank’s management and, in particular, to its first presidents to devise a credit policy so as to make an effective synthesis between the reasons of financial efficiency and those of intervention in regional imbalances. Between 1958 and 1973, there were three presidents who took turns at the top of the institution: the Italians Pietro Campilli (1958-59) and Paride Formentini (1959-1970), and the French Yves Le Portz (1970-1984). The first was an authoritative and long-lasting political personality, endowed with a profound economic and financial preparation and skills in the regional imbalances matured over many years as minister responsible for the Mezzogiorno³. The second one represented a technical profile of absolute

¹ G.P. Manzella, *Alle origini della Banca europea per gli investimenti: tra Mezzogiorno ed Europa*, in «Rivista giuridica del Mezzogiorno», a. XXXI, nn. 2-3, 2007, pp. 279-306; L. Coppolaro, *Setting up the financing institution of the European Economic Community: the creation of the European Investment Bank (1955-1957)*, «Journal of European Integration History», 5(2), 2009, pp. 87-104. As a senior Italian Treasury official said, “while we see something like a Fund for the Mezzogiorno in the Fund, [...] the Germans see nothing more than a banking institution”. cit. in M. Zaganella, *La Bei “italiana” e lo sviluppo del Mezzogiorno (1958-1970)*, «Mondo Contemporaneo», n. 2, 2016, pp. 61-86: 70.

² The capital subscribed by the six member countries amounted to one billion units of account – where one unit of account was equivalent to 0.88867088 grams of fine gold – of which 250 million would have been paid within the first 16 months of entry into force of the Treaties whereas the difference constituted the maximum guarantee amount offered by the States to the loans issued by the institute. With regard to the share paid by each Member State, a quarter was paid in gold or convertible currency and the remainder in national currency.

³ Pietro Campilli (1891-1974), who had already been a member of the Italian Popular Party, was a constituent and a leading exponent of Christian Democracy. Before embarking on his political career, he held senior positions in the banking and industrial sectors, and then took responsibility for various ministries. He was an Italian delegate to the Organization for European Economic Cooperation (OEEC) in 1948-49 and, between 1953 and 1958, he was in charge of presiding over the Committee of ministers for Southern Italy. In February 1958 he assumed the post of president of the Eib. See A.

importance, with long-lasting experience in the economic-financial structures of the Italian state-controlled sector (the 'parastato') and, later, of the Bank of Italy, of which he had become general executive. Formentini was an expert connoisseur of the European economic context and, in particular, of the German one, as evidenced by his participation in 1924 in the Dawes Committee for German war reparations and the service given as a delegate to the Bank for International Settlements (BIS) and to the EEC Monetary Committee⁴. Both figures had solid ties with the IBRD in their careers, as well as boasting entrances in the environments of American and international financial capitalism.⁵ Le Portz also combined economic and financial preparation with sensitivity to regional development issues. Its Breton origins were linked to the experience gained in the French economic ministries and as a director of the Bank for the development of Algeria.

It was Campilli's turn, in July 1958, to clarify in the eyes of the public the role that the EIB had to assume in Europe and, especially, in the 'Mezzogiorno'. In the Italian context, the Bank's operations were part of the Protocol concerning Italy ('Protocollo concernente l'Italia'), which was included in the Treaties. It sanctioned the recognition by the other Member States of the Italian economic expansion policies, conducted by the country in the effort to resolve the internal economic dualism. In any case, it was still necessary to take into account the need to acquire credit and trust among the world financial circles, considering that the EIB relied upon the capital market. Thus, Campilli underlined how this goal could only be achieved by adopting economic and banking criteria, which looked at the productivity of the interventions and concentrated the resources on 'sufficiently important projects'. The EIB had to avoid overlapping existing national and international banking structures and establish 'close' and 'cordial' collaborative relationships with them. This required the adoption of an appropriate rate of interest, set in such a way that it was neither too competitive nor too disadvantageous for the EIB's mission, as well as financing only a part of each individual investment.

In March 1958, the Management Committee programmed several missions in the six member countries in order to make a survey of available investment projects, also through the mediation of the Board of Directors⁶. This decision bore a definite political priority, linked to the determination to make as soon as possible a first appearance on the European scene with a series of loans. Still, there were at least two reasons that would have recommended a more wait-and-see attitude. Firstly, the European economy was going through a period of serious difficulty, which was making investment projects 'extremely rare'⁷. Secondly, many observers thought it desirable that, in the delicate start-up phase, the

(Contd.) _____

Parisella, *Pietro Campilli*, in *Dizionario storico del movimento cattolico in Italia 1860-1980*, G. Campanini and F. Trianiello (eds.), III, *Le figure rappresentative*, vol. 1, Casale Monferrato, 1984, pp. 157-159.

⁴ Paride Formentini (1899-1976) was a leading player in the industrial and banking sectors since the mid-1920s, first at Pirelli, afterwards at the Banco di Roma, IMI, STET and Finmare. From 1947 he became general deputy director of the Bank of Italy appointed by Einaudi and, when this one was succeeded by Menichella, he was promoted to general director, a position he held until his appointment as president of the EIB. See C. Spagnolo, *I protagonisti dell'intervento pubblico: Paride Formentini*, «Economia pubblica», n. 6, 1987, pp. 243-253.

⁵ This remark is especially valid for Formentini who, at the time of his assignment at the presidency of the Eib, received the congratulations of a huge number of European central banks governors, bankers and senior officials of the European and American financial world, such as, among others, Wilfrid Baumgartner, governor of the Bank of France; Hubert Ansiaux, governor of the Belgium National Bank; Guillaume Guindey, general director of the Bis in Basilea; Howard Sheperd and J. Le Pelley, respectively president and vice president of the National City Bank of New York; Nelson Monfort, vice president of the Bank of America; Donald E. Coyle, vice president of the New York Trust Company; R.L. Wardburgh, vice president of the Morgan Guaranty Trust Company di New York; Andrew L. Gomory, vice president of the Manufacturers Trust Company di New York. ASBI, Banca d'Italia, Direttorio Formentini, Pratiche, n. 29, doc. 5.

⁶ Banque européenne d'investissements (BEI), Secrétariat Général, *Procès-verbal de la séance du 20 mars 1958*, CD/5/58, in European Investments Bank Historical Archives (EIBHA), Comité de Direction (CD), Réunions Procès-verbaux, 1958-1959.

⁷ BEI, Secrétariat Général, *Procès-verbal de la séance du 29 avril 1958*, CD/11/1958, *ivi*. In December 1958, Campilli himself stated in light of the Board of Governors that "if the Bank had not bothered to go in search of projects, at present it would have no one to examine", BEI, Consiglio dei Governatori, *Processo verbale della seduta del 4 dicembre 1958*, CG/2/58, in EIBHA, 6.1697 PV/CG 1958-1960.

Bank's top management would use the capital subscribed by the Member States wisely, placing it as a guarantee for its obligations. This was the position of Pasquale Saraceno, according to which it would have been "imprudent" to immediately venture into a series of scarcely significant projects without worrying about adequately guaranteeing the bond issues through which the EIB could multiply the resources at its disposal⁸. These considerations, if adopted, would have led the Bank to 'stand-by' for at least a year and a half, that is to say for almost the entire period made available to the States to complete their subscriptions.

This perspective was not very attractive to the Bank's establishment. Campilli himself moved from the view that the low European economic situation required at least a proof of the young institute potentiality⁹. In fact, the first EIB bonds were issued in the Dutch and Swiss financial markets only in 1961. What mattered most, according to the Management Committee, was that Bank's intervention in the underdeveloped areas was prudent and well balanced¹⁰. Campilli's approach was progressively supported by the Bank's Board of Governors and by the European Commission (EC) itself¹¹. During the extraordinary session of the European Parliamentary Assembly, in October 1958, the President of the Commission Hallstein referred explicitly to the EIB, declaring that the Community institutions should immediately make extensive use of the competencies they possessed to facilitate the movement of capital, not only in the collection of savings but also favouring investments¹².

The decision to base the EIB's credibility and reliability on investment operations rather than on bond issues guaranteed by Member States' subscriptions met a clear vision of the Bank's goals, aimed at favouring a pragmatic and *market-oriented* logic, to the detriment of the intergovernmental dimension that was hidden behind the institution. These factors also clearly emerged from the decisions taken in other branches, such as monetary clauses. Between the second half of 1958 and the first months of 1959, in correspondence with the first operations that the EIB were carrying out in Luxembourg and in Italy, the debate within the Management Committee about the conditions that the Bank had to apply to its loans and bond issues, in terms of monetary clauses and related interest rates, was rather heated. The position of the EIB, which had its capital paid in dollars as well as convertible currencies, raised unprecedented problems that, in the case of IBRD, had been resolved by realizing the identity of the currency in the three phases of borrowing money from the market of capitals, lending and amortisation. This factor was made even more problematic by some bylaws' provisions that prevented the Bank from assuming forex risks. Moreover, as Francesco Masera observed, the EIB, having to operate in the narrower European background, wanted to prevent the beneficiaries from running into debt in the weaker currencies, which would have created inequalities between them.

Regarding the monetary clauses two opposing lines were compared, a theoretical one by the French vice president Claude Tixier and a pragmatic one by the German vice president von Mangoldt and by Campilli himself, who was nevertheless engaged in a difficult task of mediation. The core of the

⁸ P. Saraceno, *Critères pouvant inspirer la Banque Européenne d'Investissement dans la phase initiale de son activité*, note on IRI headed paper sent to Menichella, October 1958, in ASBI, Banca d'Italia, Studi, Pratiche, n. 283, fasc. 4, sfasc. 5.

⁹ To get an idea of the way in which public opinion would have received a prudential strategy to increase budgetary resources, just think to the "critical spirit" of a part of the German press in light of the first results of the Eib activities and the modest proportion of loans granted. According to the 'Industriekurier' of Düsseldorf, these aspects returned the appearance of a bank "without duties", although the newspaper ended up attributing them to the exceptional improvement of the Italian balance of payments after 1956-57. Italcambi to Carli, 9 May 1960, in ASBI, Banca d'Italia, Studi, Pratiche, n. 776, fasc. 2.

¹⁰ BEI, Secrétariat Général, *Procès-verbal de la séance du 29 avril 1958*, CD/11/1958, in EIBHA, Comité de Direction (CD), Réunions Procès-verbaux, 1958-1959.

¹¹ The governors agreed that, in the first period, the Bank would act by granting loans, while avoiding granting its guarantee to the issue of third-party loans, BEI, Consiglio dei Governatori, *Processo verbale della seduta del 4 dicembre 1958*, CG/2/58, in EIBHA, 6.1697 PV/CG 1958-1960.

¹² BEI, Direction des Etudes, *Note à Monsieur les Président, Vice-présidents et Directeurs de la Banque*, 6 novembre 1958, in EIB HAS, Déclaration et Conférences sur la BEI, 3.183.

question consisted in the choice between a loan policy that was as favourable as possible to the beneficiaries – as in the intentions of the last two spokespeople – or to act in the direction of an integration of European capitals thus ensuring, in perspective, greater possibilities for the EIB to drawn financial resources on the continental market¹³. Two different clauses were thus devised, which attempted to interpret the two different aims¹⁴. In the first, called 'A', the beneficiary received various Community or third-country currencies – mainly US dollars and Swiss francs – chosen by the Bank that, for its part, undertook to consult it before the composition of the basket¹⁵. In this formula, the beneficiary's national currency was excluded from the currencies 'cocktail' whereas the borrower was to repay the loan in the same currencies that it had received, at an interest rate of 5.75%¹⁶. This clause did not completely eliminate forex risks. The second clause, defined as 'optional', allowed the beneficiary to receive Community currencies at its discretion, against the possibility for the EIB to request repayment in the most convenient currency for itself on the due date of each amortization instalment. This was a way to give the borrower a major share of the forex rate risk, allowing it a lower rate set at 5.375%. As Campilli himself pointed out, whereas the first clause had immediately met a large quantity of operators' approval – especially in Italy – the second one “was not yet consolidated in the spirit of beneficiaries”, as the monetary harmonization between the Six was still too far and, above all, there was still a “psychological effect” towards the German mark that, in the 'optional' clause, could have been chosen by the Bank for reimbursement¹⁷.

A little later, Formentini further clarified the pragmatic approach that had led to the substantial prevalence of the 'A' clause. In November 1959, on the occasion of a conference at the *Institute Belge de Finance Publiques*, he recognized that the two formulas had been representing until that moment only an “empirical solution to the problem of monetary mortgage regimes”, liable to be improved. The EIB Italian president continued saying that even if “people sincerely animated by a European spirit and a lively and enthusiastic demand for imagination were seduced by the enticement of a Community's independent currency”, the EIB was instead called to “act in the reality of its interdependence with the companies”. In this way, not only Formentini clarified the Bank's pragmatic approach, but also he was anticipating some terms of the debate on the monetary union that would be triggered in the EEC between the '60s and the '70s, showing a decided aversion for every monetarist position:

¹³ BEI, Secrétariat Général, *Procès-verbal de la séance du 7 février 1959*, CD/36/1958, in EIBHA, Comité de Direction (CD), Réunions Procès-verbaux, 1958-1959.

¹⁴ *Memoria BEI sulla moneta di conto (studio di Masera)*, 28 agosto 1958, in ASBI, Banca d'Italia, Studi, Pratiche, n. 776, fasc. 2.

¹⁵ Campilli was among the most strenuous supporters of the possibility of offering the borrower a consultation on the monetary composition of the loan. With the exchange system in force in those years, where 1.5% differences were possible between the 'cours du jour' and the parity among the currencies, he was concerned not to make this clause even harder. Another consideration was linked to the need not to upset the supply choices made by companies, which often made the choices for their supplies only after the loan was signed. BEI, Secrétariat Général, *Procès-verbal de la séance du 24 février 1959*, CD/42/1958 e *Procès-verbal de la séance du 25 février 1959*, CD/45/1958, in EIBHA, Comité de Direction (CD), Réunions Procès-verbaux, 1958-1959.

¹⁶ As Formentini himself later clarified, the Bank did not make the national currency available to the borrower for two reasons: the fact that the Bank's loans were in effect foreign loans, allowed a uniform rate to be applied at a given time for all borrowers; in addition, the Bank avoided lending the financial resources obtained in each national market, in order to do not compete with national institutions. Formentini also stressed that future progresses towards the unification of capital markets would reduce the practical importance of this method, which at the time held its validity as proof of the Bank's good will not to interfere with national banking institutions, see *La Banca Europea degli Investimenti. Conferenza tenuta dal dott. Paride Formentini, presidente della BEI, all'Institute Belge de Finance Publiques, Bruxelles, 26 novembre 1959*, in ASBI, Banca d'Italia, Direttorio Formentini, Pratiche, n. 15, fasc. 1, sfasc. 1.

¹⁷ BEI, Secrétariat Général, *Procès-verbal de la séance du 24 février 1959*, CD/42/1958, in EIBHA, Comité de Direction (CD), Réunions Procès-verbaux, 1958-1959.

Although it is certainly in the Bank's tasks to contribute to the progressive unification of capital markets, it is doubtful whether it can directly contribute to the creation of a common European currency. Rather, this seems to be the final objective of the unification of monetary policies, which in turn presupposes harmonization also in other fields. The creation of a European currency would, in my opinion, be more the crowning of such unification than a means of obtaining it¹⁸.

The pragmatism that had characterized the Bank's beginning and the fine-tuning of its monetary clauses matched the will to fully place the institute in the market dynamics. This bent, expressed during the Campilli presidency, became more pronounced with the advent of Formentini. For the new president, the most difficult challenge for the EIB consisted in the effort "not only to gain the trust of financial and political circles but also to win the trust of customers"¹⁹. The special character of the financial institution consisted precisely in this delicate balance between the goal of intervening in the "deeper structuring of the Common Market" and its configuration as an autonomous organism with a banking nature. In this regard, the criterion of complementarity – as well as that of profitability – made the Bank a subsidiary and non-competitive instrument with respect to national financial circuits, whose function consisted in "creating new customers for national banks or assisting in the best way their existing customers"²⁰.

Within the Bank's role, the two issues concerning borrowing money on capital markets and intervening on the ECM's internal imbalances were strictly related to each other, although from the early years onwards observers tended to polarize the relationship between the two aspects. The EIB had been configured as a peculiar financial intermediary, aimed at collecting savings from large international capital markets, and then redistributing them into investments aimed at fuelling productive development in the lagging-behind regions²¹. With the passing of time, the objective of collecting capital from the large American market has been increasingly difficult to achieve – even for the deterioration of the US balance of payments – and forced it to rely on the European and Community front. Not by chance, as early as May 1958, some EIB executives such as Günther Bergan and Jean-Maxime Lévêque reported German fears – expressed by the Federal Economy Minister Alfred Müller Armack – that the Bank could have weakened the reviving German capital market while trying to collect resources for its mission²². These worries dissolved before the exceptional growth of ECM for much of the '60s. It is also true that in the first decade of activity the EIB was able to drain capital from the United States that originated from foreign savings, namely deposit accounts in dollars in US banks held by non-US residents, most of the time Europeans²³.

¹⁸ Cfr. *La Banca Europea degli Investimenti. Conferenza tenuta dal dott. Paride Formentini, presidente della BEI, all'Institut Belge de Finance Publiques, Bruxelles, 26 novembre 1959*, in ASBI, Banca d'Italia, Direttorio - Formentini, Pratiche, n. 15, fasc. 1, sfasc. 1.

¹⁹ BEI, Secrétariat Général, *Procès-verbal de la séance du 3 juin 1959*, CD/62/59, in EIBHA, Comité de Direction (CD), Réunions Procès-verbaux, 1958-1959.

²⁰ See *La Banca Europea degli Investimenti. Conferenza tenuta dal dott. Paride Formentini, presidente della BEI, all'Institut Belge de Finance Publiques*, cit.

²¹ At this regard see L. Frey, *Banca europea per gli investimenti e politiche di sviluppo economico regionale*, «Mondo Economico», nn. 34-35, agosto 1968, pp. 11-22, in EIB HAS, 2.30. 2.20. Publications de la BEI 1961-1972. 3.183.

²² BEI, Secrétariat Général, *Procès-verbal de la séance du 9 mai 1958*, CD/12/1958, in EIBHA, Comité de Direction (CD), Réunions Procès-verbaux, 1958-1959.

²³ In January 1969, in a letter to Luigi Frey, Formentini challenged the Italian economist's observation that the United States was a net contributor to the EIB budget, focusing its attention on the Bank's capability to collect European savings in dollars, in EIB HAS, 2.30. 2.20. Publications de la BEI 1961-1972. 3.183.

The EIB-European Commission relations in the context of Community regional policy

Putting into effect the purposes dictated by Treaty's art. 130 proved to be tricky, above all because of the transversal nature of regional imbalances and the unprecedented character they would have assumed as ECM progressed along the road of the custom union. Countless were the sectors that the Bank should have taken into consideration, from agriculture to transport, from energy to industrial development, from foreign trade to the lagging regions' problems to the phenomena of decline and production reconversion.

The EIB had to set its intervention philosophy in a phase of exceptional transition with respect to the serious unknowns that had accompanied the ECM's onset. As of 1957, European balances of payments still suffered serious difficulties; the dollar was the only convertible currency of international importance and the United States were the only country able to finance significant investments in the rest of the world. In a short time, this situation changed profoundly. Underdeveloped countries demanded a broader investment policy from the industrialized world while the growing balance of payments deficit pushed the United States to involve the Community in the burden of investment in the rest of the world. Meanwhile, the European outlook had also improved, the continental economy had begun to grow again and the currencies of the Six had become convertible²⁴.

Community regional policy was taking its first steps in this scenario. In this regard, the EIB and the European Commission began a debate aimed at identifying the main intervention paradigms and the conditions for mutual coordination. In terms of methodologies this approach appeared simpler, favored by the circulation among national agencies and 'technostructures' of a certain consensus towards acquired schemes of intervention, aimed at causing the breakdown of the stagnation dynamics of the lagging economies. On the other hand, it was more difficult to delimit the mutual spheres of influence between the two Community bodies.

In the two-year period 1959-60, the EC prepared two specific communications with which defined the basic lines of a Community regional policy, identifying four categories of problems: the congestion of productive factors and population into the strongest areas; the decline of traditional industrial sectors; the cross-border regions, to which free economic relations were impeded; the underdevelopment of agricultural regions with low productivity²⁵. For the latter type, the Commission indicated the technique of 'development poles' as the most appropriate to break the vicious circle of underdevelopment²⁶. This paved the way for the direct involvement of the EC in the financing of specific studies for certain regional areas of the Community. Regarding the European Investment Bank, the credit policy's fundamental coordinates were clarified starting from the second part of 1958, on the basis of an express preference for interventions in the lagging behind regions and for productive projects of appreciable size. In parallel, the Studies Division led by the Italian economist Alberto Campolongo, identified a wide range of analysis activities in the field of regional imbalances²⁷.

This created the conditions for a consonance of views upon the question of concentrating interventions in a few areas. Formentini himself clarified the Bank's preference for this option, on the

²⁴ *La Banca Europea degli Investimenti. Conferenza tenuta dal dott. Paride Formentini, presidente della BEI, all'Institut Belge de Finance Publiques*, cit.

²⁵ Commission européenne, Dg Affaires Économiques et financières, *Politique régionale des Etats membres de la Cee (étude préliminaire)*, Communication de Monsieur Marjolin, Bruxelles, le 1^{er} septembre 1959; Commission européenne, Dg Affaires Économiques et financières, *Lignes générales d'une politique régionale de la Communauté*, Communication de Monsieur Marjolin, Bruxelles, 11 novembre 1960.

²⁶ Commission européenne, *Documents de la conférence sur les économies régionales*, Bruxelles, 6-8 décembre 1961, pp. 14-16.

²⁷ BEI, Secrétariat Général, *Procès-verbal de la séance du 7 mars 1958*, Annexe 5, Doc. N. 1963/58 f, in EIBHA, Comité Direction (CD), Réunions Procès-verbaux, 1958-1959.

occasion of the *Conference on Community Regional Economies*, where he gave an overview of the theoretical premises and operational deductions developed within the financial institution about the issue of regional policy²⁸. Formentini was in tune with the theory of ‘development poles’ and with the readings made in those years by the EC. He identified three main categories of investments: social overhead capital, ‘self-liquidating’ and ‘intermediate’. The first type, although fundamental for the purposes of regional development, did not have direct financial profitability. Consequently, it could not be taken over by the Bank and it was up to the States to take charge of it. Only the second and third typologies, which held a high rate of profitability or were supported by credit facilities, could be taken into consideration by the EIB²⁹. This distinction became less binding only in the mid-1960s when, with the resumption of Community debates on regional policy.

As long as the EIB and the European Commission were able to identify a common ground on the criterion of concentrate the interventions, the agreement upon the Bank’s credit policy turned out to be a little bit more arduous. Under an institutional point of view, the coordination with the Commission was ensured by the presence of a representative within the Bank’s Board of Directors, as well as by the obligation for the Management Committee to get the opinion of Brussels upon each project³⁰. Campilli and Formentini immediately put two premises at the base of the relationship with the Commission: the autonomy of their institute in the pursuit of the statutory objectives; the centrality bestowed to the role of the European Commission’s guidelines in the field of regional policy. Marjolin’s position seemed to be specular. The French commissioner, during a debate at the European Parliamentary Assembly (EPA) in October 1958, highlighted the “very close cooperation” between the EIB and the EC arguing that, even though it was up to the Board of Governors the establishment of a credit policy, the Commission followed its development in “close friendship” with the Bank.³¹ In a short time, these declarations of intent were put to the test. At the end of 1958, while the Bank was getting ready to finance the construction of the Our’s dyke, a letter from President Hallstein – arranged by Marjolin – referred to the opportunity that the Commission could examine the projects before they were put to the study and presented to the Board of Directors. The EC also hoped that the base line of credit policy would be discussed jointly³². Brussels’ attempt to give substance to its oversight role led to the disappointment of the EIB’s Management Committee, which felt it was entitled to the governors to implement the Bank’s credit policy whereas it was the Board of Directors, where the Commission had its representatives, the appropriate seat to verify that there were no contradictions in the choices made by the two Community institutions³³.

In June 1960, almost a year after the settlement of Formentini, a ‘clarifying’ meeting was held even if, according to Formentini himself, it did not remove “the obstacles that some commissioners seemed

²⁸ *Le développement régional et la Banque européenne d’investissement. Allocution de M. Paride Formentini, président de la Banque européenne d’investissement à la Conférence sur les économies régionale*, Bruxelles, 6 décembre 1961, in EIB HAS, 2.30. 2.20. Publications de la BEI 1961-1972. 3.183.

²⁹ On this point Formentini was rather categorical: “would those who wish to see the Bank engage in the most disparate operations be willing to subscribe with their savings bonds issued by such an institution? I am not convinced at all”, *ivi*.

³⁰ See *La Banca Europea degli Investimenti. Conferenza tenuta dal dott. Paride Formentini, presidente della BEI, all’Istituto Belge de Finance Publiques*, cit.

³¹ BEI, Direction des Etudes, *Note à Monsieur les Président, Vice-présidents et Directeurs de la Banque*, 6 novembre 1958, in EIB HAS, Déclaration et Conférences sur la BEI, 3.183.

³² “La Commission juge par conséquent utile que soient examinés et définis en commun les lignes générales de la politique de crédit de la Banque et les critères à retenir pour retenir la priorité à accorder aux différents projets”, Hallstein’s draft letter to Campilli (arranged by Marjolin), 5 November 1958, in Historical Archives of European Union (HAEU), COM(58)245, vol. 1958/0011.

³³ BEI, Secrétariat Général, *Procès-verbal de la séance du 17 décembre 1958*, CD/28/1958, in EIBHA, Comité Direction (CD), Réunions Procès-verbaux, 1958-1959.

to want to put in light of the development of the Bank's activities"³⁴. Several points were still controversial, starting from the use made by the Bank's management of the capital subscribed by the Member States. This meant that, within the Commission, some intolerance began to emerge towards the Bank's decision to postpone the issuance of bonds³⁵. Another element of discussion concerned the large investment projects, namely the EIB's decision to contribute to the financing of the Italsider steel plant in Taranto (Italy) with 15 billion lire³⁶. The large plants allowed the EIB to limit the number of operations in order to better monitor their progressive development and their impact – aspects considered strategic in the first years of operation – whereas the EC would have appreciated a higher volume of projects. In other words, Brussels wanted to circumscribe large interventions in the case of avant-garde operations and revealed not to appreciate actions that would only have increased basic production on a continental scale. The European Commission also suggested that the Bank concentrated its resources in underdeveloped areas – without wasting them in the effort to decongest the central regions – and finance infrastructures, especially in the agricultural sector³⁷. Finally, positions in transport infrastructure were more nuanced. Although, at first, Hallstein was inclined to exclude the transport sector from the category of regional policy interventions³⁸, the Bank's credit department considered this type to fall within the circle of art. 130³⁹. Two trends were outlined: a first one would have concentrated all the efforts in the lagging behind areas; a second one aimed at realizing some main axes of Community interest in order to connect various part of the ECM. The result was a hybrid line that, in the following years, would have developed both these sides of the Community transport policy⁴⁰.

Although the meeting in June 1960 had helped to establish the central themes of the confrontation, Formentini was convinced that Brussels would have awaited the Bank's next operations before facilitating its credit policy. In December 1960, a memorandum of the Commission upon the coordination between the EEC's economic policy and the EIB's credit policy sanctioned the conclusion of the 'exploratory' phase between the two bodies that had been started over a year and a half beforehand⁴¹. At the basis of the document was the decision to speed up the implementation of the ECM and the abatement of tariff quotas, which required more assertive action in order to avoid further processes of economic centralization and the aggravation of regional imbalances. Firstly, also on the basis of the experience made by the EIB, the Commission took note of the difficulties brought by art. 18 of the Protocol – which authorized the intervention of the Bank only in the case of unavailability of other capitals – for the obvious impossibility of verifying its existence with exactness: it was enough to make sure that a project would not have been carried out without the Bank's help. Secondly, the projects had to make a clear contribution to regional economic development not only through its direct effects but also through an impact on the surrounding activities, verifiable by their placing into broader

³⁴ *Entretien entre le Comité de Direction et la Commission en date du 14 juin*, J.L./Be, 29 juin 1960, in EIBHA, Dossiers de Mr Dalla Chiesa II, 3.29.

³⁵ According to some commissioners, like the German Hans von der Groeben, the capital subscribed by the Member States was used only to adjust the passive transactions and, consequently, he thought the Bank needed to issue bonds before having completely exhausted the liquidity put at its disposal by its shareholders, *ivi*.

³⁶ *Le projet Tarente*, in HAEU, BEI.06.A-03.04.

³⁷ The Commission referred to the PBU project that the Bank had decided to support in order to decongest the installations of the German chemical industry, *ivi*.

³⁸ BEI, Direction des Etudes, *Note à Monsieur les Président, Vice-présidents et Directeurs de la Banque*, 6 novembre 1958, in EIB HAS, Déclaration et Conférences sur la BEI, 3.183.

³⁹ *Note de P. Verhagen à M. Bergan*, 10 octobre 1960, in EIBHA, Dossiers de Mr Dalla Chiesa II, 3.29.

⁴⁰ It was established that the Commission would have referred to the EIB a list of projects it wanted to support with subsidized interest, while the Bank would have exercised its free choice between these projects for a parallel intervention in the form of a loan, *ivi*.

⁴¹ CEE, Commission, *Mémoire de la Commission sur la coordination entre la politique de crédit de la BEI et la politique économique de la Commission*, II/COM(60)163 rév., 7 December 1960, *ivi*.

programs or development plans. In front of these principles, there were then a series of actionable criteria. The highest priority was given to the underdeveloped regions – in particular, the Mezzogiorno and Corsica – for which the bank examination of the applications was sufficient and no restriction was made regarding the categories of projects. They went from economic infrastructures – communication routes, tourist accommodations – to industrial or agricultural activities in the sector of production and distribution. To follow, there were actions aimed at favouring economic modernization or conversion processes in sector damaged by the construction of the ECM. Also the actions in the declining regions, such as the coal-producing ones, were part of this particular case and required close coordination between EIB, European Commission and ECSC's High Authority. The third category was lastly represented by the projects of Community interest, characterized by the intervention of financial resources from different countries. Ultimately, the commitment of the Bank and the Commission to contribute to the setting up of an effective Community regional policy was based on these guidelines.

The beginnings: the 'joint operation' IBRD-EIB in the 'Mezzogiorno' (1958-1959)

The start of the activities of the EIB took place at a time when the IBRD was preparing to complete a series of initiatives in southern Italy, following which it would have considered its cycle of intervention in the country and, more generally, in Europe. By virtue of the close collaboration and mutual esteem between the president of the Bank of Italy, Donato Menichella, and the president of the World Bank, Eugene Black, in February 1958 Italy had just obtained a loan from IBRD to support the development plan in the South⁴². In addition, other investments were close to being deliberate, such as the 'Kamark dossier' on the Land Reform's bodies ('enti di riforma') for the financing of an agricultural development program as well as a project for the peaceful exploitation of nuclear energy in the Southern regions. It was around this last hypothesis, which was going on since March 1956, that there was a convergence between Black and the Italian authorities. As is well known, these ones were interested in configuring an energy pole with a predominantly nuclear character, as a driving force for the industrial development of the South⁴³.

The South Italy Nuclear Energy project ('Energia nucleare Sud Italia', ENSI) took shape, for the construction of a nuclear power plant near the Garigliano stream, on the border between Campania and Lazio, to be entrusted to the National centre for nuclear research ('Centro nazionale di ricerche nucleari', CNRN) and to the *Società elettronucleare nazionale* (SENN) of the IRI group, without the involvement of private industry⁴⁴. One of the reasons why Black looked favourably at the ENSI project – preferring it to initiatives in agriculture – was the possibility of attracting international private loans on it, as an initiative with 'romantic appeal' for the American financial market. In this way, he could easily manage the disengagement of the World Bank from Italy. The American president went further and proposed to aggregate the Morgan Stanley investment bank to the transaction. According to Black himself, IBRD had developed close relations of collaboration with that institute. The contacts between the private bank and the Italian monetary authorities took place in April and developed until the summer of 1958, in an attempt to devise Italian insertion into the American financial market through the intervention of insurance companies and financial institutes from New York⁴⁵.

⁴² A. Lepore, *La Cassa per il Mezzogiorno e la Banca Mondiale: un modello per lo sviluppo economico italiano*, Soveria Mannelli, Rubbettino, 2013; G. Farese, P. Savona, *Il banchiere del mondo. Eugene Robert Black e l'ascesa della cultura dello sviluppo in Italia*, Soveria Mannelli, Rubbettino, 2014.

⁴³ L. Paganetto, P.L. Scandizzo, *La Banca Mondiale e l'Italia: dalla ricostruzione allo sviluppo*, Bologna, il Mulino, 2000.

⁴⁴ Cfr. A.R. Riganò, *La Banca d'Italia e il progetto ENSI. Fonti per la storia dello sviluppo energetico italiano degli anni Cinquanta nelle carte dell'Archivio della Banca d'Italia*, «Quaderni dell'Ufficio Ricerche storiche della Banca d'Italia», n. 4, giugno 2002, pp. 1-87.

⁴⁵ The talks, initiated in April by Menichella, continued until June when, following a meeting in Rome with the emissaries Perry Hall and Hudson B. Lemkau, Morgan Stanley decided to send a study mission led by Franck A. Petit and Roger T.

However, the creation of the EIB was also playing broad influence in the decisions of the leader of the World Bank. The conclusions reached by Black were that the new European financial institution, after a brief phase of joint loans with the IBRD, should have become the main reference for European funding⁴⁶. The inclusion of the EIB in IBRD projects turned out to be an operation that was anything but easy and went through a series of stop and go, firstly because of the uncertain progress of the negotiations between the Italian authorities and the World Bank, on which both the Morgan Stanley bond issue and the EIB participation depended. In fact, between the spring and summer of 1958, the Italian authorities asked for a further loan from the World Bank, to be added to the one already allocated to the SENN. After a series of meetings in New York, the operations were rerouted: the SENN would be fully funded by Washington, whereas a new loan to the Cassa per il Mezzogiorno, aimed at financing industrial initiatives, would have been the opportunity for an intervention by Morgan Stanley⁴⁷.

The EIB co-partnership, therefore, remained to be resolved. The strategy adopted by Rome consisted in preserving the actions in the final straight, shifting the handover between IBRD and EIB on the ground of the 'joint operation', a dossier that was not yet improved and, for this reason, allowed wider margins for adjustment⁴⁸. It was the same president of the Cassa, Gabriele Pescatore, who confirmed it during a meeting with Eduardo De Alba, a member of the Industrial Division of IBRD, reporting the desire of the Italian authorities to avoid that the operations with the EIB could constitute "the least hindrance" against those already launched with the World Bank. It seemed appropriate to Rome "to reach as soon as possible agreements in principle concerning the sphere of action, the limits of intervention and the mutual relations that the two Banks wished to establish for their intervention in favour of the Cassa". Thus the Italian authorities formulated the proposal for a summit in Paris with the EIB and IBRD, aimed at establishing a path for their handover in Italy. On the American side, the suggestion was welcomed, reassuring "that an initiative by the Cassa tending to clarify the situation [would have been] more than welcome in Washington, in order to clear the ground of possible misunderstandings"⁴⁹.

Campilli was particularly skilful in managing this tricky phase, both in the Management Committee and in relation to his external interlocutors. The first concern of the former minister for the South was not to make the European Bank appear as a subcontractor of projects already launched by the IBRD nor to suffer conditions that could have undermined the Bank's freedom of action. To this end, he managed to mediate between his two vice presidents von Mangoldt and Tixier, whose evaluations tended to reflect their respective countries' positions: the first one, in favour of the

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Gilmartin. The mission aimed at collecting information on Italy, as well as meeting Baffi, an economic adviser on via Nazionale, and Medici, Italian Minister of Treasury. See Lemkau to Menichella, 9 June 1958, in ASBI, Banca d'Italia, Studi, Pratiche, n. 283, fasc. 4, sfasc. 1. Menichella a Medici, 17 giugno 1958, *ivi*, Direttorio Menichella, Pratiche, n. 57.1, fasc. 4.

⁴⁶ In this regard, Brosio reported some passages of his conversation with the president of the World Bank: "he [Black] - who obviously can not have excessive tenderness for the new European institute - was inspired to tell me in tone rather joking: I imagine that the new bank will have no other function than to lend to Italy. And if it does, why should we do it too? I declined the answer, noting that no one could give it better than His Excellency Campilli, president of the new Bank". The report of the interview is *ivi*, Segreteria Particolare, pratt., n. 489, fasc. 3, already cited in A.R. Riganò, *La Banca d'Italia e il progetto ENSI*, cit., pp. 1-87: 42.

⁴⁷ As Black pointed out in his meeting with Brosio, "with the realization of this proposal, the cycle of financial assistance from the Bank to Italy [should have] considered as finished, except for any reconsiderations, but in an unlikely future". Gagnani to Menichella, 11 July 1958, in ASBI, Banca d'Italia, Studi, Pratiche, n. 283, fasc. 4, sfasc. 2.

⁴⁸ Medici, recently passed to the Ministry of Budget, explained that "tough we have nothing against that private organizations participate in the loan jointly with the International Bank, we are opposed, here, to the participation of the European Investment Bank. It has also been clarified that we have been 'pioneers' in this atomic sector and this first operation we consider already defined with the International Bank to the exclusion of the European one. This is also the reason why we don't want to jeopardise the larger transactions that can be agreed with the European Bank", *ibidem*.

⁴⁹ *Promemoria: nuovo prestito BIRS alla Cassa - Rapporti con la Banca Europea*, 8 novembre 1958, *ivi*, fasc. 4, sfasc. 1.

proposals coming from Washington, in order to ease the flow of international capitals in the ECM; the second one was concerned with the American influence in Europe and the backlash on the Bank's freedom to promote its operations⁵⁰. Campilli chose its conditions in view of the Paris meeting, which was held on 22 November 1958 at the headquarters of the IBRD delegation in Europe, consisting in the claim of a significant margin of influence in the choice of projects to be financed, as well as in the deadline by which conclude the 'joint operation'.

The conditions offered by Black were the following: the bonds with Morgan Stanley would have amounted to 30 million dollars that the Italian government could have used at its discretion; the World Bank would have lent 20 million for operations in the irrigation, electrical and industrial sectors – including the important project aimed at the brown coal exploitation in the Mercure valley, in Basilicata, for electrical purposes – proposing a 50% operation to the EIB. The first problem on the negotiating table was the IBRD's pretension that the EIB wouldn't have made any loans before the 'joint operation' was initiated, which fundamentally meant that the European Bank would have made its first appearance in the context of transactions already launched by the World Bank. It was, as the EIB negotiators Günther Bergan and count Juan de Liedekerke themselves acknowledged, little more than a "matter of principle" by the American side, which presented at the same time advantages and disadvantages: on one hand, there was the possibility to debut on an equal footing with the IBRD; on the other, there was the risk of being overshadowed by Washington⁵¹.

Campilli, who in October had already received by his directorates a survey concerning the investments available in Europe, identified as priority electric projects, simple to examine and largely completed⁵². Some of these, such as the Mercure, had already been submitted to the World Bank, so it was necessary to ascertain the purposes of Washington as well as of the Casmez. According to the re-enactment made by the Bank's executives, the Italian authorities assigned particular importance to this project that, placed in one of the most underdeveloped areas of Southern Italy, would have allowed it to commit to a considerable amount of labour. A first negotiating element had therefore been identified. Then followed the investments in the southern telephone lines, proposed by the Telephone Exercises (SET), and the railway projects, although the latter soon betrayed such a delay in planning that they were put aside⁵³. So we can understand how Campilli, who was in a position to immediately finance the SET project, was perplexed about the conditions posed by Washington. He didn't want to bind himself to a calendar instructed by the IBRD when, according to him, the negotiations should have started instead from the premise of allowing Italy the maximum possible benefit from every foreign source of financing. Also for these reasons, the counter-proposal of the EIB – which started from a total of 40 million dollars made available for operations in Italy in 1958-59⁵⁴ – envisaged the possibility for the Bank to make a loan on the Southern telephony for 20-24 million dollars before the 'joint operation'; the Mercure project would have been excluded from the joint actions and financed exclusively by the EIB for 15 million dollars; the IBRD would have divided the remaining 20 million in half, between irrigation and electric-industrial projects, allowing the EIB to participate in the

⁵⁰ BEI, Secrétariat Général, *Procès-verbal de la séance du 9 juin 1958*, CD/13/1958, in EIBHA, Comité de Direction (CD), Réunions Procès-verbaux, 1958-1959.

⁵¹ After the Paris summit, the IBRD-EIB negotiations continued in the following weeks through meetings with American emissaries Diamond, Mason, Miller and Beaufort. BEI, Secrétariat Général, *Procès-verbal de la séance du 17 décembre 1958*, CD/29/1958, *ivi*.

⁵² In the South, there were at least three major areas: electrical and chemical projects; industrial projects for the production of sugar, magnesium oxide, ceramics and oil refining; other industrialization projects in Sardinia. The first group included the Mercure, proposed by the Southern Electricity Company ('Società meridionale di elettricità', SME); a telephony project through the SET, a company controlled by the STET of the IRI group; the expansion of the Sincat plants, belonging to the Edison group, a fertilizer-producing factory created a few years earlier in Sicily with World Bank's funding; projects for new petrochemical plants in Sicily - through the Celene company - and chemical plants in Brindisi, in Apulia. BEI, Secrétariat Général, *Procès-verbal de la séance du 26 octobre 1958*, CD/21/1958, *ivi*.

⁵³ BEI, Secrétariat Général, *Procès-verbal de la séance du 31 octobre 1958*, CD/22/1958, *ivi*.

⁵⁴ BEI, Secrétariat Général, *Procès-verbal de la séance du 21 novembre 1958*, CD/24/1958, *ivi*.

amount of 50%. At the last, Campilli imposed the condition of concluding the 'joint operation' before April 1959, the date foreseen for its first annual report.

Campilli's negotiating skills, whose experience went back to the participation in the OEEC negotiations in 1948-49, affected the course of the negotiations. The IBRD accepted that the EIB would make a loan to STET in advance, although it could also not consent to the spinoff of the Mercure, which would have meant unduly affecting the scope of the 'joint operation'. Black's concern remained to support the Italian issue on the New York's capital market. For the same reason, the IBRD asked that the EIB would have not financed the SET by the Casmez's intervention⁵⁵. In the end, the mediation of Pescatore allowed compelling solutions for both banks and, a little later, the EIB's Management Committee emphasized how the IBRD offer and the negotiations' outcome itself implicitly recognized the Bank as an equal as well as a certain margin of influence in the project's selection⁵⁶.

When the negotiations seemed to be at their best, at the end of 1958 a new problem arose on the road to the IBRD-EIB operation⁵⁷. In September, Perry Hall warned Menichella about a "clear and unexpectedly reversed trend" in the US bond market⁵⁸. Following a meeting with John M. Young in Rome, Menichella also learned that the conditions proposed by Morgan Stanley were much more expensive than he was expecting: if the Italians relied on a rate of 5.25%, the business bank proposed 6%⁵⁹.

The first consequence of this impasse consisted in the decision by the Ministry of Budget to request two separate transactions: the IBRD-EIB loans, on one side; the Morgan Stanley bond issue, on the other. In the meanwhile, Washington continued to apply pressure so that the latter operation would be completed by December⁶⁰. Instead, at the end of November Menichella warned Black of his intention to advise the Italian government to suspend any speech on the issue. The governor declared himself "personally indebted" to Black if he had consented not to stop the IBRD loan and not to delay its engagement with the EIB loan, especially in view of the fact that during the Paris summit Morgan Stanley had asked to be allowed to launch the issue before the 'joint operation'⁶¹. In a telegram to Carlo Gragnani, an alternate executive director at the IBRD headquarters, the governor himself clarified how his decision to defer the timing of the issue to Morgan Stanley was not due to the hope of taking advantage of a possible fall in rates of interest. The Italian monetary authorities' ambition was to provoke an approximation between the conditions to be applied to Italy and those of other

⁵⁵ This condition was easily accepted because Campilli could count on the guarantees offered by IRI.

⁵⁶ In the event that, by March, the IBRD had not reached a decision about the inclusion of the Mercure in the 'joint operation', the EIB would have taken over the project, *ivi*.

⁵⁷ Cfr. Carlo Gragnani's telegram to Menichella, 5 December 1958, in ASBI, Banca d'Italia, Studi, Pratiche, n. 283, fasc. 4, sfasc. 1.

⁵⁸ Hall a Menichella, 3 settembre 1958, *ibidem*.

⁵⁹ Brosio reported a Black's communication directly from the Morgan Stanley office, in which he warned the Italian authorities against the New York capital market movement, so the amount of interest could be established only at the conclusion of the negotiations. Albeit he could not make any commitment, he believed that the rate would have finally been around 6%. See Ministry of Foreign Affairs' fonogramma, General Directorate, Economic Affairs (De Astis), 20 November 1958, *ibidem*.

⁶⁰ See Ministry of Foreign Affairs' fonogramma, General Directorate, Economic Affairs (De Astis), 17 November 1958, *ibidem*.

⁶¹ Menichella had telegraphed to Black explaining his position in these terms: "I realize that the current New York prices of former Italian issues rule out for the new issue rates lower than those stated by Morgan Stanley. However I consider that a cost of about six per cent for the issue specially at a time when international market rates are declining would not evoke abroad a favourable echo and would fail to take due account of the efforts made in Italy during the last decade to combine economic advance with monetary stability now firmly based on the foreign exchange holdings which the country was able to build up". Menichella to Black, 28 November 1958, *ivi*, Direttorio Menichella, Pratiche, n. 57.1, fasc. 4.

countries certainly not in better financial equilibrium or with a healthier balance of payments than Italy⁶².

However, the whole operation was solid and didn't hang in the balance, as also demonstrated by the failed attempt by J.P. Morgan to candidate itself as a tax agent for the Italian government with regard to its operations in the United States⁶³. Although the EIB negotiators were concerned by the difficulties Morgan Stanley dealt with, the negotiations between the two international banks resumed in February. If, on the one hand, the bond issue on the New York financial market was to be considered as a credit line available to Casmez in the framework of its general program; on the other hand IBRD and EIB would proceed to a peer choice of projects, which led to the exclusion of the irrigation sector. The available funds were in fact limited compared to the requirements for the electricity and industry sectors, which the EIB had shown to prefer from the outset. Regarding the criteria to be used for the selection of the projects, the two banks agreed to keep "in due consideration the desire of the Italian Government and the Cassa to assign the highest priority to the Mercure project, followed by the Taloro one", whereas in the context of the industrial initiatives they decided to take into consideration technical, market and social aspects⁶⁴. The preference of the Italian government for the Taloro project led to the gradual shelving of the telephony loan, which was subject to a series of uncertainties regarding the fees that SET would have applied. For his part Campilli, who at first had intended to start his Bank's activity in Italy with the telephony loan before the 'joint operation', finally decided to give it up, not at all enticed by the prospect of debuting with a project in public services⁶⁵. This created the conditions for the launch, almost in parallel, of the Morgan Stanley's bonds and of the IBRD-EIB joint loan, which took place in April. The projects included in the latter were the Mercure, for 18 million dollars, and two interventions in the petrochemical sector: the Sincat and the Celene, financed respectively for 14 and 8 million dollars. The Mercure project, which was entitled to the SME, involved the exploitation of lignite deposits in Basilicata through the installation of a 210,000 kW thermal power plant. The Sincat - Società industriale Catanese project involved the construction of an ethylene treatment plant in Priolo, Sicily,. It was linked to the Celene project, based on a partnership between Edison and the American Union Carbide, for the construction, always in Priolo, of a plastic production plant.

Some reporters pointed out that the industrial and energy projects financed by EIB in the context of the 'joint operation', given their technical and financial characteristics, would have been completed even without the Bank's intervention, by means of other sources at normal market conditions⁶⁶. Actually, what these kinds of comments didn't mention were the political significance of the operation

⁶² Menichella considered the rate proposed by Morgan Stanley to be "unjustified", Menichella to Gragnani, 4 December 1958, *ibidem*.

⁶³ Henry C. Alexander, J.P. Morgan's Chairman of the Board, after learning of the relations between the Italian authorities and Morgan Stanley, wrote to Menichella that his Bank would be "honoured to be at the service of the current Italian government as a tax agent for its any bond issues in this market". Alexander to Menichella, 2 December 1958, *ivi*, Pratiche, n. 283, fasc. 4, sfasc. 1.

⁶⁴ Pescatore, *Pro-memoria: riunioni con le missioni BIRS e BEI*, 3 February 1959, *ivi*, Studi, Pratiche, n. 776, fasc. 2.

⁶⁵ The STET project for the development of telephony in the Mezzogiorno presented the problem of tariffs, considered inadequate to guarantee the profitability of the project, as well as requiring a level of financing that was too burdensome that required the identification of priority intervention segments. Since it was impossible to intervene on the Italian government to provoke an increase in tariffs, the project gradually lost appeal. BEI, Secrétariat Général, *Procès-verbal de la séance du 7 février 1959*, CD/36/1958, in EIBHA, Comité Direction (CD), Réunions Procès-verbaux, 1958-1959.

⁶⁶ In particular, the German newspaper "Deutsche Zeitung mit Wirtschaftszeitung" highlighted as if, on the one hand, the low level of activity showed in 1959 was understandable in the start-up phase, on the other "a European investment bank whose capital is formed exclusively from member countries has a raison d'être only if it behaves more freely in its credit policy and appears more ready to take risks than a private bank". For the German newspaper, the seven projects financed until then "could have been achieved without his intervention", adding that the rate charged by the Bank was not so "attractive" since relevant international chemical groups were able to place on the Swiss capital market loans at a 5% rate interest. Italcambi to Carli, 9 May 1960, in ASBI, Banca d'Italia, Studi, Pratiche, n. 776, fasc. 2.

and that Campilli's firm will not close its first year of operation without any investment in European territory⁶⁷. In July 1959, Mason commented that the IBRD no longer intended to grant other credits to Italy until further notice, abandoning the European market and concentrating its operations in the Middle East, Asia and Africa⁶⁸. About a year and a half after its foundation, the EIB acquired the status of the main financial institution operating in Europe in the field of regional development.

It was significant that the conclusion of the joint IBRD-EIB operation coincided with Campilli's resignation. The chairman of the Board of Governors, the German Franz Etzel, took note of the resignation and emphasized that the former Italian minister's affability and experience had been invaluable to the new Community body and that, "despite the regret of the Council, [he] understood and respected the reasons for Campilli's decision" As a further demonstration of the relaxed and positive atmosphere that was accompanying the turnover at the Bank's presidency, Campilli warned that "although the results of this first year [had] been satisfactory, they must not be considered by the Board of Directors and the Management Committee as a reason to mark a pause, but as an encouragement to move forward"⁶⁹.

The setting up of the Bank's credit policy in the first half of the 1960s

The period between 1958 and 1964-65 was fundamental in determining the EIB credit policy guidelines in the South. In Italy, during the two-year period 1964-1965, the economic crisis effects overlapped with the extension of the Casmez, which led to the emergence of new directions in the 'extraordinary intervention'. The beginning of the EIB operations in the South had to take into account both the legislative and financial aspects related to the various forms that the discipline of the 'extraordinary intervention' assumed after 1957, 1965 and 1971 – when the laws of extension or refinancing of the Casmez were approved – and the intrinsic characteristics of the Italian economic context.

After World War II, the republican institutions had entrusted the problems of reconstruction, at first, and development, then, to the 'extraordinary' instrument of autonomous public bodies – not only Casmez but also the IRI, IMI and numerous other bodies – by renouncing to directly exercise the powers of economic planning and regulation through ordinary administrations, both central and

⁶⁷ M. Di Falco, *Bilancio della Banca europea degli investimenti*, «L'Economia», n. 6, giugno 1959, in EIB HAS, 2.30. 2.20. Publications de la BEI 1961-1972. 3.183.

⁶⁸ Von Bergen to Directorate for Credit, *Visite de M. Mason/BIRD*, 14 July 1959, EIBHA, 3.0028 Italie Dalla Chiesa.

⁶⁹ Therefore, in our opinion it's necessary to reconsider the assessments expressed by Flavio Mondello regarding the reasons for Campilli's decision, according to which the resignation would have been the result of the "finding that the loans could not be granted independently [since they] could be decided only after the Community approval of projects developed at national level according to rules established in common". On the one hand, it seems unlikely that a personality of the calibre of Campilli, who as a minister responsible for the South had experimented with the IBRD's methods and knew the weight of national authorities in guiding investment decisions, did not expect that similar operating conditions would be also valid for the EIB, especially after its configuration as a banking institution. On the other hand, as we have seen, the suggestion of a binding influence exerted on the EIB's credit policy by the European Commission appears to be excessive. Finally, it can also be noted that Campilli's resignation effectively represented the first case in which an Italian exponent abandoned a Community body's top position. The European and national echo of this decision was not at all comparable, for instance, to the polemical tones that in March 1972 accompanied the resignation of Franco Maria Malfatti from the European Commission's presidency. At the state of the available documentation, we can therefore cautiously advance the hypothesis according to which Campilli had only accepted a 'temporary' appointment, attracted by the opportunity to influence the profile and identity itself of the nascent Community institution and aware of the political importance symbolic for Italy that his minister for the South was appointed in charge of the EIB. For the interpretations mentioned above see F. Mondello, *Il contributo di Piero Malvestiti alla nascita del Mercato unico interno*, in *La politica europea e italiana di Piero Malvestiti*, a cura di Concetta Argiolas e Andrea Becherucci, Roma, Edizioni di Storia e Letteratura, 2018, pp. 163-174: p. 165, reported in M. Zaganella, *La Bei "italiana" e lo sviluppo del Mezzogiorno (1958-1970)*, cit. For Etzel's declarations see EIBHA, Bureau extérieur Rome relations Siege 1978. CD-CG PV réunions 1958-1976 – Visites à la Bei 1967-1971.

peripheral⁷⁰. This basic choice had contributed to the configuration of a mixed-economy model, which was strengthened with the creation of the Minister of State Participation in 1956. The private enterprise, therefore, coexisted with State capitalism, which was in fact entrusted with 'regulatory' functions aimed at pursuing certain objectives in terms of development, sectorial distribution and allocation of investment choices. In such a model, a leading role was played by the Bank of Italy, which since 1947 had witnessed the strengthening of its powers both in terms of supervision – with the reconstitution of the Interministerial Committee for Credit and Savings (CICR) – and in terms of stabilization of prices, thanks to a process of tasks and functions devolution by the Treasury that contributed to make Via Nazionale a true proponent of the public address in economy⁷¹.

The EIB made its start during a deep transition phase in the national economic model. At the end of the '50s, a series of interrelated factors such as the entry of Italy into the ECM, the new 'industrial-oriented' address of the 'extraordinary intervention' and the acceleration of economic development, contributed to the passage from a model mainly oriented to the domestic demand to an export-based one, in an attempt to get the maximum benefit from opening up European markets. These changes had huge consequences for the South, so much so that they determined the end of this region's cycle of typical development for the entire previous decade. In fact, until the '50s, the public expenditure, aimed at supporting both attempts for industrialization prerequisites and the Agrarian Reform operations, had encouraged the expansion of traditional Southern industry, still protected from Northern regions and foreign competition. The integration of the European markets particularly favoured the Northern Italy industry, which could benefit from the breakage of the Southern countryside's traditional balances and release its workforce. The start of an impressive agricultural exodus from the South contributed to the satisfaction of the Northern regions' labour supply without creating wage tensions. This situation allowed the achievement, at the same time, of low production costs, high levels of productivity and strong competitiveness of Italian productions abroad⁷².

It transpired that the transition to an export-based production model acted in depth on the Italian economy structural characteristics during the '60s, creating the conditions for an economic dualism that overlapped the territorial one between the North and South⁷³. Actually, the rapid expansion of exports concerned itself with only a few capital-intensive sectors such as chemistry, mechanics and some consumer durables, whose productivity increases and whose technological improvements made a profound difference compared to sectors still oriented towards the internal market such as foodstuff, textiles and construction industries, characterized by a high labour content, low investment and a tendency to stagnate.

In front of this situation were the Southern-oriented policies that, in the industrial-led version after the turn of 1957, pursued the objective of recovering the North-South dualism. The so-called 'second half' of the 'extraordinary intervention' brought a more explicit commitment to the attempt for industrialization in the Mezzogiorno through the extension of credit facility and outright grants, the placement of a certain share of public sector plants as well as the creation of intensive industrialization areas⁷⁴. Between the end of the '50s and the early '60s, there was thus a strong wave of incentives in favour of the Southern industry, which encouraged massive investments mainly through the circuits of the 'extraordinary intervention' and, in particular, through institutes such as the Institute for the Economic Development of Southern Italy ('Istituto per lo Sviluppo Economico dell'Italia

⁷⁰ F. Barca, *Il capitalismo italiano. Storia di un compromesso senza riforme*, Roma, Donzelli, 1999.

⁷¹ C. Spagnolo, *Tecnica e politica in Italia tra anni trenta e anni quaranta. Note sul caso di Donato Menichella*, in *Scritti in onore di Alberto Mortara*, a cura di G. Bognetti, G. Muraro, M. Pinchera, Milano, FrancoAngeli, 1990, pp. 861-910.

⁷² A. Del Monte, A. Giannola, *Il Mezzogiorno nell'economia italiana*, Bologna, il Mulino, 1978.

⁷³ A. Graziani, *Lo sviluppo dell'economia italiana. Dalla ricostruzione alla moneta europea*, Torino, Bollati Boringhieri, ed 2017.

⁷⁴ S. Cafiero, *Storia dell'intervento straordinario nel Mezzogiorno (1950-1993)*, cit.; *Radici storiche ed esperienza dell'intervento straordinario nel Mezzogiorno*, Leandra D'Antone (ed.), Napoli, Bibliopolis, 1996.

Meridionale', Isveimer), the Regional Institute for the Financing of Industries in Sicily ('Istituto Regionale per il Finanziamento alle Industrie in Sicilia', Irfis) and the Sardinian industrial credit ('Credito industriale sardo', Cis). This system was called to intervene in an economic-financial context and was characterized, on the national side, by the large industrial groups' tendency to self-finance and, on the more specifically Southern side, by the difficulties of the banking system in providing credit to small and medium-sized businesses because of the "very presumed and not very definable" nature of their profitability⁷⁵. The key factor was once again the Southern emigration, whose ability to solve unemployment in the Mezzogiorno was overrated. This led to a gradual change in the basic criteria for the industrial incentive, which showed an ever-increasing favour for large, capital-intensive and low workforce absorption capacity. Under the counselling of the Association for the Development of Industry in Southern Italy ('Associazione per lo sviluppo del Mezzogiorno', Svimez) and men like Saraceno, the public commitment to the Southern industrialization took the path of the expansion of the basic industry, considered able to respond better to the competition that came from the ECM⁷⁶.

During the '60s, credit facility to industry in the Mezzogiorno was distributed unequally in the face of three main groups of sectors. First, there were low capital intensity productions such as clothing, tanneries, wood and furniture, which represented the Southern industry traditional sectors and were poorly incentivized. Secondly, there were sectors at a medium capital intensity such as the manufacture of non-metallic mineral products linked to constructions – ceramics, glass, cement, gypsum, bricks and lime – as well as mechanics, textiles, food and tobacco, in which the incentive had scars efficiency. Finally, there were metallurgy, transport, chemistry and paper mills, capital-intensive sectors that turned out to be the most supported by incentive policies⁷⁷. Added to this were investments in the electrical sector, according to a dynamic that was widely developed during the previous decade that, also thanks to foreign loans, aimed at correcting the structural imbalances of the Italian balance of payments, burdened by production costs and insufficient energy supply⁷⁸.

The beginning of the EIB's activities was part of this scenario, which forced the Bank to challenge itself with a series of fundamental decisions for the setup of its credit policy. This involved a wide range of issues such as the profitability and scale of the projects to be supported, the choice between infrastructures and interventions in the industrial sector and, finally, the Bank's attitude towards the expansion of the role of the public industry as well as nationalizations such as the one that would have involved the electrical sector in 1963.

Between May and November 1958, on the occasion of the internal debates upon the actions that could be financed, Campilli had pushed the Management Committee not to look exclusively at the profitability of the projects, taking also into consideration the social impact and the indirect effects that they could produce. These positions were initially supported by the interim vice-president of the institute, the French Paul Delouvrier, according to which by means of infrastructures the Bank could adequately take into account the complexity of the factors underlying the development of lagging behind regions. Furthermore, infrastructures' spatial articulation could express a much more marked 'European dimension' than industrial projects⁷⁹. However, it is appropriate to clarify that the EIB management was discussing upon the possibility of financing 'productive' infrastructures, rather than equipment in social overhead capital such as hospitals, aqueducts, sewers and other works of this kind.

⁷⁵ G. Amato (ed.), *Il governo dell'industria in Italia*, Bologna, il Mulino, 1972, p. 157.

⁷⁶ A. Giannola, A. Lopes, C. Petraglione, D. Scalera, *Per una rivisitazione dell'intervento straordinario. Trasferimenti, redistribuzione e interdipendenza Nord-Sud*, in *La dinamica economica del Mezzogiorno. Dal secondo dopoguerra alla conclusione dell'intervento straordinario*, Svimez (eds.), Bologna, il Mulino, 2015. pp. 185-220.

⁷⁷ A. Del Monte, A. Giannola, *Il Mezzogiorno nell'economia italiana*, cit.

⁷⁸ G. Barone, *Mezzogiorno e modernizzazione. Elettricità, irrigazione e bonifica nell'Italia contemporanea*, Torino, Einaudi, 1986.

⁷⁹ BEI, Secrétariat Général, *Procès-verbal de la séance du 9 mai 1958*, CD/12/1958; *Procès-verbal de la séance du 21 novembre 1958*, CD/24/1958, in EIBHA, Comité de Direction (CD), Réunions Procès-verbaux, 1958-1959.

Soon, other considerations took the place of this reflection upon infrastructures. First of all, internal reasons, which depended on the EIB's need to be accredited with the financial markets, advised to take into account only advanced projects and not to expose the Bank to the risks deriving from complex and expensive infrastructural investments, in a moment of structuring its services⁸⁰. Added to this were other assessments more directly related to the economic, institutional and legislative environment in which the infrastructures had to be realized, such as some doubts concerning the guarantees offered by the various national bodies to which the construction of the infrastructures were up to, in terms of capital and interests repayment, correct execution of the works and an autonomous and sufficiently remunerative tariff management. Thus, when at the end of 1958 it was a question of deciding the interventions in the context of the 'joint operation' with the IBRD, projects such as those related to telephony, railway connections, reclamations and irrigation were set aside⁸¹. These types of investments slowly took hold in the first half of the decade – especially after the European Commission identified its priorities in the transport sector⁸² – whereas the reclamation and irrigation projects were financed only starting from 1966.

To better understand the difficulties encountered by the EIB in financing agricultural development projects, reference can be made to the Metaponto plain project which, throughout the '60s, represented the flagship of the Italian Agrarian Reform before the Community as well as the symbol of the new production-oriented policy launched by the national authorities in this sector. One of the first memoranda on the Cassa per il Mezzogiorno, prepared by the EIB in June 1959, highlighted a series of operational difficulties in the agricultural sector, such as the technical incompleteness of projects, the poor preparation of land reclamation consortia, the shortage of Southern companies supplying all the materials needed for land transformation and the lack of skilled labour⁸³. Thus, despite Pescatore's stubbornness, the three irrigation projects of Metaponto in Puglia, of Nurra in Sardinia and of Ogliastro in Sicily – which betrayed an additional requirement of almost 17 billion lire – were only financed in 1966, after the extension of the Casmez had resolved part of the problems⁸⁴.

In the two-year period 1958-60, the EIB had therefore taken a clear preference for interventions in the industrial sector and production of electricity, also in consideration of the great abundance in the European context of projects related to the latter type⁸⁵. Once the level on which the Bank preferred to act was defined, it was a question of identifying the guidelines along which to develop its activities, namely the reference paradigms, the productive sectors to be privileged, the size of interventions, the relationship to be established with the state capitalism and private industry. The EIB demonstrated its movement with great circumspection in the approach to this set of problems, striking up relationships

⁸⁰ Regarding infrastructure projects, a broad discussion took place within the Management Committee about the possibility of requesting the advice of some engineering companies, such as the French Safège and the German Kocks. The resort to these companies seemed to be able to guarantee adequate forecasts of costs, a good technical level of the works and the formation of local executives. BEI, Secrétariat Général, *Procès-verbal de la séance du 17 octobre 1958*, CD/20/1958, *ivi*; *Extrait d'un résumé d'une conférence de M. Bernard Chadenet, Directeur-Adjoint des opérations techniques à la BIRD*, 11 juin 1959, in EIBHA, Dossiers de Mr Dalla Chiesa II, 3.29.

⁸¹ The project of modernization and electrification of the Battipaglia-Reggio Calabria railway line was judged by the EIB to be incomplete from a technical and financial point of view and, moreover, subject to the fate of the State Railways administrative reform on which a series of aspects depended such as the independence of the organization from the Ministry of Transport and the revision of the accounting system in the direction of a rise in tariffs capable of offering greater guarantees of financial sustainability. Pescatore to Campilli, 17 December 1958, in EIBHA, Cassa 1957-1965, 3.32.

⁸² *Le développement régional et la Banque européenne d'investissement. Allocution de M. Paride Formentini*, cit.

⁸³ *La Cassa per il Mezzogiorno*, giugno 1959, EIBHA, Cassa 1957-1965, 3.32.

⁸⁴ Pescatore to Formentini, 13 April 1963; *Projets d'irrigation de la Cassa*, 9 February 1965, in EIB HAS, Cassa. Projets d'irrigation. 3.31.

⁸⁵ See the discussions within the Management Committee, following the recognition of investment projects carried out in the Six member countries, BEI, Secrétariat Général, *Procès-verbal de la séance du 9 juin 1958*, CD/13/1958, in EIBHA, Comité de Direction (CD), Réunions Procès-verbaux, 1958-1959.

not only with the bodies of the 'extraordinary intervention' but also, as far as possible, with financial institutions and autonomous institutions, including the Banco di Napoli and the IMI. The goal was to build networks through which to obtain collaborations, information and feedback about the projects that were submitted to the Bank⁸⁶. This kind of activity would have proved to be extremely important especially in identifying the intervention methodologies, as demonstrated by the influence that personalities like Stefano Siglienti, president of IMI and member of the Bank's Board of Directors, and the environments connected to it exercised on some basic guidelines of the EIB.

In April 1959, an article by Giovanni Enriques appeared on "Mondo Economico" with a provocative title *If I were a dictator*, which had wide resonance within the EIB⁸⁷. The basic reasoning developed by Enriques – a figure close to Siglienti – consisted in the conviction that, in the context of Southern-oriented policies, it was necessary to abandon the Rosenstein-Rodan's theory of 'balanced growth', to give more attention to the human factor and to accept to achieve results only in certain areas of the South. According to Enriques, the setup of the extraordinary intervention's 'second half' relied excessively upon the expansion of credit facility and tax benefits, wrongly believing that an increase in their volumes – that is, decreasing interests even more, increasing the amortization of mortgages and so on – could resolve the 'entrepreneurial shortage' of Southern private and public manufacturing sectors. As the economist Colin Clark's lesson had shown, in order to attack the problems of the Mezzogiorno in a reasonable timeframe of one or two generations, it was necessary to increase the interrelations between basic industry and manufacturing and agricultural production, with the intent to support the development of 'external economies', as well as to concentrate interventions and entrepreneurial resources in a few specific areas. The presence of private and public companies, as well as the availability of Italian and foreign capital, would not have made it difficult to resolve the main bottlenecks upstream of the manufacturing industry - which concerned the production of electricity, oil derivatives, full-cycle iron and steel industry, petrochemical and plastic productions, cements and bricks - also in consideration of the fact that the Northern business interests would haven't opposed the achievement of these goals. By contrast, the fundamental problem remained that the use and transformation of these 'key products' within a reasonable range, an aspect that according to Enriques would have remained unsolved in light of the peculiarities of the manufacturing industry which, due to its capillarity, elasticity and interdependence, had far more need to increase its entrepreneurial abilities instead of massive impulses from government incentives or private capital. Fundamentally, it was a matter of attacking factors that did not concern the companies' 'fixed capital' but the promotion of entrepreneurial capacity, linking the Southern industrial districts both with Northern Italy and most advanced European ones⁸⁸.

The EIB environments would have acquired some of the Enriques' indications, especially with regards to the criterion of concentration. As we have seen, a confluence between the Bank and the European Commission was being built on the criterion of 'development poles'. The role of the EIB towards the development of the human factor and the interventions in social overhead capital proved to be more complex, sectors that Formentini had shown to attribute almost exclusively to the action of the public authorities, excluding them from the list of eligible actions by the Bank. In the early '60s, the EIB's investment decisions began to be oriented in sectors such as metallurgy and chemistry, in an

⁸⁶ It was the case, for example, of the meeting between Dalla Chiesa, Verhagen, von Bergen and Morelli, and the director of the Banco di Napoli, Guadalupi. The establishment of these 'personal relationships' was aimed at verifying, in the specific case, the financial and professional profile of the promoters of the CMC project. Morelli to Directorate for Credit, *Visite de M. Guadalupi*, 14 July 1959, in EIBHA, 3.0028 Italie Dalla Chiesa.

⁸⁷ The title echoed a column published by the American magazine "The Nation" in the 1930s, see G. Enriques, *If I were a dictator... (in margine alla discussione sul Mezzogiorno)*, «Mondo Economico», n. 14, 4 aprile 1959, in EIBHA, Cassa 1957-1965, 3.32.

⁸⁸ According to Enriques, the Southern workforce needed to be trained in the most advanced industrial environments and had to go around within the Mezzogiorno. Furthermore, according to the lesson of the British Board of Trade, it was necessary a massive transfer of entrepreneurial resources from North to South, *ivi*.

attempt to contribute to the expansion of basic production in the South. Then, they gradually involved other sectors such as mechanics, food transformation and freezing as well as productions linked to the building sector, which remained one of the great contributors of Southern employment. With regards to the size of the plants, the aftermath of the 1957-58 economic slowdown and the propensity for self-financing by the largest entrepreneurial groups imposed great caution to the EIB. In the first two years of its activity, both Campilli and Formentini as well as the Bank's various divisions themselves, reported several times the "shortage" of significant projects, the only ones able to offer appropriate guarantees of profitability and determine a relevant impact in the recovery of regional imbalances. Significant in this regard was the exchange between Bergan, head of the Credit Department, and the top management of the Deutsche Bank, about the difficulties in dealing with "really important" projects due to the preference of large Community industries to develop investment initiatives "directly between them", namely without the intervention by the banking groups which they considered as a cost-increasing factor. Bergan reported the Deutsche Bank's concerns about the opportunity to turn to small and medium-sized enterprises, knowing that this would have meant too much work and low profits for a large bank⁸⁹. As a result, in its first years of activity, the Bank carried out a reduced number of operations, as admitted by Formentini himself in 1961, steering towards major initiatives that allowed, among others, an easier control of its operability⁹⁰.

The last challenge was the relationship the EIB had to establish with the expansion of State capitalism and with nationalizations. During the years of the Italian 'economic miracle', characterized by a large volume of investments that would have been interrupted only by the currency tightening measures in 1964, the EIB leaders witnessed obstinate competition between private and public industry for the occupation of the spaces opened by the impetuous growth. The construction of the Taranto fourth iron and steel plant – to which the EIB contributed to with a loan signed in Rome in March 1961 – was the result of a harsh battle that opposed the private iron and steel industrialist to the government authorities upon the opportunity to entrust the Partecipazioni Statali with an expansion of the sector. Moreover, IRI and Finsider, into the State capitalism itself, were attested on the opposites as regard to different hypotheses: building a new plant in Taranto or expanding the production capacity of the Italsider of Bagnoli⁹¹. The EIB followed the whole affair through close contacts that its Credit Department maintained with Comit and IMI senior officials, from which emerged scenarios of fierce competition between the State industry and some companies in the mechanical sector who were interested in financing iron and steel initiatives. Finally, the Bank decided to grant a 15 billion lire loan, supporting the requests made by the national authorities⁹².

Even in the electrical sector, the EIB's management had to show skill in trying to back out of the possible implications of the battle over nationalization⁹³. How this prospect could involve the EIB was

⁸⁹ G. Bergan, *Communication téléphonique de M. Bindert, Directeur de la Deutsche Bank AG*, 13 June 1959, in EIBHA, Dossiers de Mr Dalla Chiesa II, 3.29.

⁹⁰ *Le développement régional et la Banque européenne d'investissement. Allocution de M. Paride Formentini*, cit.

⁹¹ O. Bellifemine, *Una nuova politica per il Meridione La nascita del quarto centro siderurgico di Taranto 1955-1960*, Bologna, il Mulino, 2018; *Storia dell'IRI. 2. Il «miracolo» economico e il ruolo dell'IRI*, Franco Amatori (ed.), Roma-Bari, Laterza, 2013.

⁹² De Liedekerke, Werner and von Bergen had contacts with De Ambro, director of the Comit in Frankfurt, and Borri from IMI. From the talks with the latter, it emerged that Fiat, Innocenti and Isap had renounced a steel installation project in Sicily, after finding out the Finsider's intention to finance a new iron and steel plant in Taranto exactly with the aim of impeding private initiatives in this field. Borri was sceptical about the profitability of the new public initiative and thought it more appropriate to strengthen the Bagnoli or Cornigliano plants, although according to him the new pole would have been made for "purely political" reasons. Welter to Directorate for Credit, *Projet de construction d'un complexe sidérurgique en Italie du Sud*, 29 April 1959; J. de Liedekerke to Directorate for Credit, *Projet d'installation sidérurgique dans le Sud de l'Italie*, 14 July 1959, in EIBHA, 3.0028 Italie Dalla Chiesa. Finanziamento Taranto

⁹³ *Storia dell'industria elettrica in Italia*, vol. 4, *Dal dopoguerra alla nazionalizzazione: 1945-1962*, a cura di Valerio Castronovo, Roma-Bari, Laterza, 1994; F. Silani, *La nazionalizzazione elettrica in Italia. Conflitti di interessi e progetti legislativi (1945-1962)*, «Italia Contemporanea», n. 177, December 1989, pp. 49-68.

immediately clear to its managers as early as May 1959, when the passage of the Sardinian coal mining company ('Società mineraria carbonifera sarda', or Carbosarda) to Finelettrica occurred. Romeo Dalla Chiesa – a Credit Department official who had come from IBRD on the interest of Campilli – pointed out from the Italian press that this decision could have represented how the first sign of the Italian authorities' plans aimed at regrouping all the electrical companies owned by the State into Finelettrica, in order then to favour the merge of Finelettrica to ENI⁹⁴. This scenario was sufficient to warn the Management Committee, who admitted it had to reconsider the Taloro project under this peculiar outlook⁹⁵. Although the loan to the Taloro Company finally went through, the Bank no longer supported initiatives in the electrical sector until 1963, when an ENEL plant in the province of Caserta was financed for 3.7 billion lire⁹⁶.

The Italian economic crisis of 1963-64 and the EIB difficult role

After years of impetuous development, in the second half of 1963 the Italian economy began to show a worrying inflationary trend, a symptom of a progressive gap in the balance of payments. The difficult management of the crisis by the Treasury and the monetary authorities has been the subject of numerous interpretations, which, in part, have been affected by the explanations that the key players themselves of these facts provided⁹⁷. These explanations focus upon the increase, starting from 1961, in the cost of labour and the consequent vertical fall in investments, as a result of the reduction in the companies' self-financing margins rather than of the credit tightening measures established by the governor Carli and the Treasury Minister Emilio Colombo.

However, at this moment it seems appropriate to adequately consider also the role played by the huge volume of investments that had developed in Italy and in the Mezzogiorno since 1959 and that, evidently, calls into question the management of the country's economic policy during the years of the 'miracle'. Starting in 1960, the extension of public and private investment programs had been increasingly fuelled by a strong wave of bond issues which in 1962-63 – by Carli's own admission – had reached such proportions as to "increase inflationary pressure"⁹⁸. Added to this was the fact that, starting from 1961-62, national credit policy had tried to recover the increase in labour costs by decreasing that of money, in the attempt to guarantee a greater funds inflow to the national financial market and support the investments already decided during the previous years⁹⁹. In this context, as Masera noted, "foreign bank loans helped to raise the rate of development of domestic demand and, therefore, the level of imports". The use of foreign funds widened increasingly "due to a process of self-supply", as it stimulated domestic demand and consequently increased the balance of payments deficit. "It can therefore be said – he wrote – that it did not operate in such a way as to make the system converge towards equilibrium"¹⁰⁰. This course of action was followed until the second half of 1963, when the combined effect of rising wages, a relatively indulgent credit policy and increased

⁹⁴ Cfr. *Un projet dangereux. Condensé de "Un progetto pericoloso" - 24 Ore, 19 mai 1959*, in EIB HAS, 3.0028 Italie Dalla Chiesa.

⁹⁵ BEI, Secrétariat Général, *Procès-verbal de la séance du 12 juin 1959*, CD/63/59, EIBHA, Comité de Direction (CD), Réunions Procès-verbaux, 1958-1959.

⁹⁶ See Banca europea per gli investimenti, *Relazione annuale 1963, 1964*.

⁹⁷ See G. Carli, *Cinquant'anni di vita italiana*, Roma-Bari, Laterza, 1996.

⁹⁸ *Appunto inviato all'on. Emilio Colombo, Ministro del Tesoro. Schema di relazione per il Comitato del Credito*, 19 ottobre 1964, in ASBI, Banca d'Italia, Direttorio Carli, Pratiche, n. 63, fasc. 3, sfasc. 14.

⁹⁹ Carli himself, before the EIB Board of Directors, admitted that an immediate correction of the inflationary symptoms, at a time when large industrial plants were still being built in Italy, such as the fourth iron and steel centre in Taranto and the expansion of the petrochemical industry, it seemed to us "entailed a too serious destruction of wealth for our economy". *Exposé prononcé lors de la réunion du Conseil d'Administration le 6 Octobre 1965 à Rome*, ibid, n. 12, fasc. 18.

¹⁰⁰ F. Masera, *I movimenti di capitali bancari con l'estero e la politica monetaria italiana*, «Moneta e Credito», n. 76, 1966, pp. 400-417: 406.

investments gave rise to a rapid expansion of global demand and a sharp rise in prices. Increasingly demand benefited in part foreign products, causing the imports to grow, while the increase in prices themselves were detrimental to exports. The growing balance of payments deficit imposed a change in the course of action and, in the absence of other measures to curb demand and counter the deficit, severe restrictions were introduced in the granting of credit. This provision, despite having stabilized the situation, caused a fall in investments and an increase in unemployment¹⁰¹.

The effects of the monetary policy implemented by Carli did not escape the EIB bodies. In December 1963, Alfred Müller Armack and Herbert Martini, influential German members of the Board of Directors, expressed their concern about the impact of salary increases and potential credit restriction measures on the initiatives financed by the Bank in the Mezzogiorno¹⁰². These concerns turned into reality and, despite Pescatore's initial reassurances, in March 1964 national authorities invited the Casmez to restrict its activity in a demanding way¹⁰³. It was the prelude to a drastic downsizing of the Bank's operations in Southern Italy, the effects of which were fully perceived in 1965.

Starting from the autumn of 1964, the problem of how to restart investments posed itself, since the stabilization measures had weakened their volume. In October, Moro received a memorandum on the Italian conjuncture from the US Ambassador Reinhardt. The document was written by Rostow, a consultant to the State Department, which exposed positions shared by the US government. It claimed that the Italian economy urgently needed a new phase of expansion of public and private investments, after the objective of economic stabilization had been achieved. On this road, there were fears that a rapid expansion could lead again to inflation and to new difficulties in the balance of payments, in addition to the lack of sufficient Italian financial resources. These problems could be solved if potential future wage increases had been contained into the margin of productivity and "on condition that the Atlantic and European Communities were willing to provide a significant amount of capital in the medium and long term": in this regard, the document relied on the World Bank, European Investment Bank, Export-Import Bank and private banks role. The whole approach of the memorandum revolved around the idea that, in order for the masses to accept an income policy aimed at containing inflation, a vast investment plan was needed to reassure them against the risks of unemployment and to guarantee their participation in new cycle of economic prosperity¹⁰⁴. This prospect appeared as being diametrically opposed to the obstinacy with which some ECM countries, such as Germany, and a few EC representatives – from Hallstein to Marjolin – subordinated a potential EEC loans to Italy to the adoption of strict measures to reduce the deficit of the balance of payments.

The European Commission representatives' stubbornness about making the EEC's solidarity contingent upon Italy's specific economic policy commitments prompted Rome to once again rely on those across the ocean. As a result, after the stabilization manoeuvre, the investments' relaunch came from the United States as well. In a document submitted to the attention of the Bank of Italy, Italian consultant Alberto Ferrari emphasized the opportunity for Italy to let the EIB continue "to make its fractioned operations" in the country as well as to persist in the request of a Community loan but "immediately setting up a significant operation with the IBRD, drawing especially on the ECM

¹⁰¹ "Memorandum Sylos Labini", sent by Giolitti to Carli, 25 May 1965, in ASBI, Banca d'Italia, Studi, Pratiche, n. 285, fasc. 1, sfasc. 1.

¹⁰² Confidential note by Fronzoni, delegate of the Bank of Italy in Brussels, 19 December 1963, and dispatch from the Ministry of Foreign Affairs, *Sessione di dicembre del Consiglio di amministrazione della Banca europea per gli investimenti*, 24 December 1963, in ASBI, Banca d'Italia, Studi, Pratiche, n. 777, fasc. 1.

¹⁰³ Pescatore to Formentini, 25 February 1964, in EIBHA, Cassa 1957-1965, 3.32.

¹⁰⁴ See Moro to Carli, 10 October 1964, and the attached document *Osservazioni sulla situazione economica italiana*, delivered by Ambassador Reinhardt to Carli, in ASBI, Banca d'Italia, Direttorio Carli, Pratiche, n. 60, fasc. 5, sfasc. 4.

countries' quotas"¹⁰⁵. These hints were evidently to be in line with the intentions of the monetary authorities. In the first half of 1965, two operations were put together through Casmez, outside the ECM political and economic boundaries: a bond loan through a bank syndicate headed by London-based SG Warburg & Co Ltd¹⁰⁶; an IBRD loan of an amount equivalent to 100 million dollars¹⁰⁷. The national authorities' choice made some tensions with Formentini, considering that the EIB in 1965 was experiencing an unprecedented decline in its operations in the Mezzogiorno. In an exchange with Carli, Formentini allowed the possibility that Italy equipped itself with "increasingly varying and independent" means of contact with foreign financial markets, of which the EIB "cannot and must only be one of them", provided that they could be "added and completed, and not reciprocally eliminated"¹⁰⁸.

All things considered, the complex happening of the 1963-64 Italian crisis, analysed from the perspective of the investment cycle and of the specific role that the EIB came across to exercise, highlights a series of elements. The Bank had supported the expansion cycle of the iron and steel industry as well as that of the petrochemical sector in the first years of the decade. The completion of these plants was the main concern of the Italian monetary authorities that refrained, at least at an early stage, from controlling the inflationary impulses that were already in motion too strictly. However, the EIB's participation represented only a small portion of the total volume of investments, which started in the early 1960s. Suffice to say that, in 1963, the investments of private or state-owned companies financed through the market or the internal circuits of the companies themselves amounted to 5,100 billion lire¹⁰⁹. For the same reason, due to limited availability in relation to the Italian economy size of that time, the national authorities could not look at the EIB as the instrument around which to build a Community strategy to support investments, also in consideration of the fact that every attempt in this

¹⁰⁵ "This is the fastest and least expensive form – continued Ferrari – to involve ECM governments in our favor. President Woods then seems to want to relaunch his institution's activity even beyond certain interest rate limits", *ivi*.

¹⁰⁶ The proceeds, amounting to 20 million dollars, would have been lent to the Carbosarda company for the construction of a thermoelectric power station in Porto Vesme, in the province of Cagliari. Pescatore to EIB, 9 March 1965, in EIBHA, Cassa 1957-1965, 3.32.

¹⁰⁷ The loan would have been distributed to Isveimer, Irfis and Cis respectively in the measure of 55%, 25% and 20%, for the realization of interventions in the industrial and electrical sector. Pescatore a EIB, 12 July 1965; *Loan Agreement (Southern Italy Industrial Projects 1965) between International Bank for Reconstruction and Development and Cassa per opere straordinarie di pubblico interesse nell'Italia meridionale (Cassa per il Mezzogiorno)*, 28 giugno 1965, *ivi*. World Bank noticed as "since about the middle of 1964 the Institutes have been finding it difficult to obtain funds to maintain their recent rate of lending. They rely principally on two sources: the bonds which they issue on the domestic market and the proceeds of the Cassa's foreign borrowings which, in recent years, have included funds provided by the European Investment Bank. These sources will not yield enough funds in the near future to permit the financing of the great number of sound projects submitted to the Institutes. The proposed loan would help to cover this financing gap and would thus make possible industrial investment at the relatively high level needed for the continued economic development of Southern Italy", International Bank for Reconstruction and Development, *Preliminary Report of the President to the Executive Directors on a Proposed Loan to the Cassa per il Mezzogiorno for Industrial Financing in Southern Italy*, June 11, 1965, Archives of economic and territorial development (ASET), <https://aset.acs.beniculturali.it> (visited on 20 February 2019).

¹⁰⁸ The EIB president claimed to be informed about the Italian plans, not so much in the exercise of his duties "but as a 'person' who had always tried to coordinate his action with the intentions that you preferred", and therefore "to better harmonize my programs on the markets to yours. Some of my expressions' bitterness depended, on reflection, on an initial misunderstanding from me: I had, in fact, believed in detecting in you a certain indifference towards the role hitherto carried out in Italy by the EIB even if it led the Bank assistance at a level equal to that of IBRD". Carli acknowledged that "you have always been vigilant and ready to assist, obviously within the limits of what is allowed, Italian interests [...] and that the work carried out by the European Bank towards Italy, overcoming many difficulties, is profoundly appreciated not only by me but also by the economic ministries of this and the other governments that have followed one another over the past five years". Formentini to Carli and reply, 25 May 1965, in ASBI, Banca d'Italia, Direttorio Carli, Pratiche, n. 72, fasc. 10.

¹⁰⁹ 'Memorandum Sylos Labini', *cit*.

direction was bound by the EC's strict attitude that Rome could not accept without endangering the political fate of the centre-left.

The EIB, the Cassa per il Mezzogiorno and the regional credit institutes: a constrained relationship?

Between 1958 and 1961, the EIB experienced its first impact with the institutional, legislative and financial context of the "extraordinary intervention" in the Mezzogiorno, deepening its relations with Casmez and the regional credit institutes associated with it: Isveimer, Irfis and Cis. Until the middle of 1959, Campilli's presidency – who came from the Southern-oriented environments – and the particular kind of operations concluded up to that time by the Bank made it possible to manage relations with Casmez in terms of political mediation. With the advent of Formentini and the advancing of the interventions through the Cassa, the procedural issues gradually assumed greater weight, leaving space for the first tensions and misunderstandings.

The first test bend was the meeting held in Rome in October 1958, on which occasion Casmez expressed the desire that the Bank's interventions will have been conducted through its mediation. Initiatives presented by private companies may not be in line with Southern development plans and, therefore, not enjoy the guarantee of the State. By contrast, Tixier, who was in charge of the EIB delegation, emphasized that his institution was obliged, by statute, to consider without distinction applications from the European Commission, public authorities and private individuals, against national governments' authorization. The French highlighted also that the relevant factor didn't consist in the Bank's leanings but in the relations between the Italian government and the Casmez, alluding to the fact that the latter's mediation did not necessarily seem as always indispensable¹¹⁰.

In the following months, the debate shifted to the ways loans had to be used. The Casmez and Isveimer's management had unsuccessfully insisted that the EIB put at their disposal a yearly amount to be used freely, clashing with the Bank's determination to proceed for specific projects, evaluated case by case. As a result, the procedures by which to select investment projects quickly became central. When, around the middle of 1959, some private industrialists proposed to the EIB a few investments in the Mezzogiorno, the Casmez point of view was awaited in vain until October due to the fact that, together with the minister Pastore, it was still busy preparing a projects priority list. In this circumstance, the Bank's managers complained that "such a procedure could only harm the EIB and make it appear in Italy as a 'super state bank' whose unique function is to refinance existing national bodies"¹¹¹. A little later, it was Formentini himself, in a telegram sent to Tixier and Von Mangoldt, to underline that all the conduct of the whole institution should be based on the "essential problem that [is] that of guaranteeing the Bank in the best way possible full independence [regarding] the choice [of] projects, their examination [as well as the] deliberations on them"¹¹².

Article 16 of law 646/1950 authorized Casmez to contract loans, also abroad, by means of a procedure that envisaged three levels: the Council of Ministers, which approved the operations on the political level; the Treasury Minister, which by decree authorized loans granting state guarantees and the CICR, which were called to provide an opinion on the loans terms. This complex articulation was

¹¹⁰ The delegations were composed by Tixier, Bergan and de Liedekerke for the EIB and by the president Pescatore, Orcel, Picchetti, Simoncelli and Di Nardi for Casmez, BEI, Secrétariat Général, *Procès-verbal de la séance du 26 octobre 1958*, CD/21/1958, in EIBHA, Comité Direction (CD), Réunions Procès-verbaux, 1958-1959; Pescatore a Campilli, 17 dicembre 1958, EIBHA, Cassa 1957-1965, 3.32.

¹¹¹ *Quelques renseignements sur les méthodes d'opération de la Cassa*, s.d. ma fine 1959, *ivi*.

¹¹² Telegram by Formentini to Von Mangoldt and Tixier, 20 October 1960, ASBI, Banca d'Italia, Direttorio Formentini, Pratiche, n. 15, fasc. 1, sfasc. 1.

soon to be the basis of several delays in the stipulation of the depending contracts¹¹³. The case of the 'joint operation' offered an early example. In September 1959, four months after the conclusion of the loan with IBRD, the contracts between Casmez and Finelettrica for Mercure and between Casmez, Irfis and the beneficiaries for Sincat and Celene had not yet been signed. Although this outcome also depended on the slowness with which the CICR had been establishing these operations conditions, the BEI executives concentrated their attention upon the Casmez's 'lourdeur administratif', foreshadowing a more energetic attitude at Pescatore in order to avoid the repetition of similar situations¹¹⁴. The problem of delays caused by the signing of depending contracts – or by the execution of projects – proved to be central in the relationship between the Bank and Casmez throughout the '60s, due to the fact that most of the operations in Italy were stipulated by means of the 'A' type monetary clause. The latter involved an *ex ante* choice of the loan currencies basket and, as a result, whichever delay in the loan 'drawing' exposed to forex risks that the Bank could not assume by statute¹¹⁵.

Despite these episodes, the EIB executives did not miss the advantages that Casmez's mediation could provide. Article 40 of Law 634/1957 gave it the power to hold up any forex charge due to foreign loans, the amount of which would have been the subject of five-year offsets by the State¹¹⁶. All these elements led to a compromise. If Casmez failed to obtain from the EIB resources without destination constraints, the Bank would have had to agree to exercise its prerogatives mainly under priority lists of projects prepared time after time by Rome¹¹⁷.

Like relations with the Cassa per il Mezzogiorno, even those with Isveimer, Irfis and Cis had to go through a phase of adjustment¹¹⁸. The issue of the regional credit institutes mediation in the supply of EIB loans was immediately put in place with the first loan operations carried out by the Bank, as a consequence of the pressures exercised by some beneficiaries – in particular the Finsider, for the Italsider in Taranto, and the Alfa Romeo in Campania – to being dispensed with the additional costs deriving from the institutes intervention. In October 1960 an exchange between Formentini, the governor of the Bank of Italy Carli and the minister of the Mezzogiorno Pastore focused on this issue.

¹¹³ 'Depending contracts' were the second level contracts with the credit institutes and the third level ones with the final beneficiaries, that emanated from that stipulated between the Cassa and the EIB.

¹¹⁴ Directorate for Credit to Board of Directors, *Contrat Cassa-Irfis, Irfis-Sincat/Celene*, 18 September 1959, in EIBHA, 3.0028 Italie Dalla Chiesa. Von Bergen learned from De Alba that even Washington was "dissatisfied with the slowness of the Cassa's methods", taking the example of the Trinacria loan, signed in 1958 and entered into force at the end of 1959. The Cassa would have decided, shortly thereafter, to create a special office for relations with foreign funders. Von Bergen to Directorate for Credit, *Visite de M. de Alba (BIRD): Sincat e Celene*, 28 September 1959, *ivi*.

¹¹⁵ Besides, in light of such an articulated internal decision-making process, there was also the need to align the procedures with which both the Bank and the national authorities took the respective determinations, in order to avoid that any of the two was influenced by its counterpart's decisions. Thus, between the end of 1958 and February 1959, a procedure was decided which could safeguard at the same time the competences of the EIB Board of Directors and the freedom of choice by the Italian authorities. The procedure provided that, when the Management Committee decided to submit a specific Italian project to the approval of the Bank's Board of Directors, it reported its purpose to the Cassa. This, in turn, informed the Council of Ministers and the Treasury of being able to formalize a request for a foreign loan; after hearing the opinion of the CICR, the Treasury issued a decree authorizing the Cassa to draw up the loan, placing the State guarantee on the agenda of the Council of Ministers; following a positive resolution, the Treasury would therefore have issued a new guarantee decree. *Cassa per il Mezzogiorno*, 24 February 1959, *ivi*.

¹¹⁶ The EIB executives did not fail to note how this mechanism forced the Cassa to bear the charges with its own resources until the time of the adjustment: thus the question arose whether the institute had been able to fulfil this burden, albeit temporary, and what kind of guarantees would have been offered to international lenders in the event the Casmez was unable to carry out this duty. BEI, Direction des Prêts, *Note au Comité de Direction: Cassa per il Mezzogiorno*, 29 January 1960, in EIBHA, Cassa 1957-1965, 3.32.

¹¹⁷ Casmez sent a first official list in December 1958, Pescatore to Campilli, 17 December 1958, *ivi*.

¹¹⁸ About regional credit institutions and, in particular, the Isveimer see. A.L. Denitto, *Istituti e dinamiche dei finanziamenti straordinari: l'Isveimer dalle origini agli anni del miracolo economico*, in L. D'Antone (eds.) *Radici storiche ed esperienza dell'intervento straordinario nel Mezzogiorno d'Italia*, cit., pp. 243-328.

The EIB president believed that the role of the institutes was useful to the effects of the guarantee they provided to the Cassa only in the context of medium-small projects whereas it lacked consistency for major ones, especially those of public initiative¹¹⁹. “We do not see – wrote Formentini – what an effective guarantee can the signature of one of the Institutes offer to the Cassa, for example, for loans of the order of 10-20 million dollars”, especially in consideration of the fact that the Casmez financial tutelage could be satisfied by the EIB’s banking criteria. According to Formentini, dispensing with the regional institute’s intermediation in the context of large public projects also had the undoubted advantage of “eliminating what large groups had ever been considered as superfluous [since] they press in every possible way in order to reduce to the minimum the intermediary commission”¹²⁰. Carli and Pastore had to agree as long as a month later, in November 1960, the CICR authorized Casmez to directly manage EIB loans exceeding 3 billion lire, without the three special institutes’ intermediation¹²¹.

The EIB’s approach to regional credit institutes continued in the late spring of 1961, when it carried out a few missions in Italy in order to deepen the study of the Southern credit facility system¹²². The EIB managers obtained information from the field investigations, such as the relations between Casmez, Isveimer, Irfis and Cis, the differences in the credit policies conducted by the three institutes and the economic and political context in which they operated. The elements that emerged from the missions allowed the Management Committee to immediately perceive the problems of the subsidized credit system in the South with respect to the Bank’s action. In particular, Isveimer was considered, among the three institutes, the one that could have introduced more tensions in the Bank’s credit policy. It was the case, for example, of the formulation of loan contracts, in which elements such as the grace period, the drawing methods, the loan duration, the formalisation fee, represented the main elements of the dispute¹²³. As a consequence, Isveimer was reluctant to apply conditions that, not foreseen by national legislation, would have led to ‘discriminatory’ outcomes towards beneficiaries based on the origin of the funds¹²⁴. For these reasons, it was necessary for the EIB to develop its activities in the South according to a wise and prudent conduct, avoiding to place itself “in a delicate position such as to provide Isveimer with means of pressure on the Cassa” and always trying to preserve the precious mediation of the latter. The EIB wanted to avoid “de s’immiscer trop avant dans les relations entre la Cassa et les Instituts ou entre les Instituts et les entreprise”, considering it sufficient that the Cassa would guarantee the respect of the required conditions, even in place of the institutes or beneficiaries. What the EIB management recommended himself, ultimately, was a position “de souplesse et un attitude ‘prospective’” also in consideration of the insufficiency of means declared by the Cassa, which created an unprecedented experimental space for the Bank.

¹¹⁹ Until May 1961, the legislation recognized companies comprised within the limit of 3 billion lire of fixed assets and 500 employees as medium-sized enterprises.

¹²⁰ Formentini to Pescatore, 21 October 1960, in ASBI, Banca d'Italia, Direttorio Formentini, Pratiche, n. 15, fasc. 1, sfasc. 1.

¹²¹ Ministero del Tesoro, *Estratto del verbale della 114° riunione del Comitato interministeriale per il credito ed il risparmio*, 22 November 1960, in EIBHA, Cassa 1957-1965, 3.32.

¹²² *Mission du 17 avril au 5 mai 1961 auprès de la Cassa et des Instituts Régionaux, Isveimer, Cis et Irfis*, 13 juin 1961, *ivi*.

¹²³ The procedure proposed by the EIB for the study and control of investments did not pose particular problems. On these points, the Bank and the institutes restricted themselves to hoping that “the EIB would be more discreet than the IBRD” in dealing directly with the beneficiaries and that the studies would be conducted in parallel so as to present jointly before the government authorities, *Mission du 17 avril au 5 mai 1961 auprès de la Cassa et des Instituts Régionaux, Isveimer, Cis et Irfis*, *cit.*

¹²⁴ In the event that the duration of the loan between the Bei, the Cassa and the Isveimer had been less than that established by the ‘depending contract’ between Isveimer and the beneficiary, the institute required that any increase in terms of commissions, penalties and incidental costs did not affect the beneficiaries but were paid by the Cassa. This, on the other hand, firmly refused such pretence. Cis and Irfis attitude was quite different and they were available to take on the additional charges or to assign them to the beneficiaries. *Mission du 17 avril au 5 mai 1961 auprès de la Cassa et des Instituts Régionaux, Isveimer, Cis et Irfis*, *cit.*

Anyway, as expected, the tensions reawakened, especially because of the access criteria gradually widening to subsidized credit, in an attempt by the national authorities to favour the establishment of the large industry in the Mezzogiorno¹²⁵. In May 1961, the maximum level of fixed assets, below which companies could benefit from a 4% subsidized rate, was raised from 3 to 6 billion lire. This decision, increasing the scale of the medium-sized enterprise, determined an impact on the institutes' activities, for which it was increasingly difficult to intervene by means of foreign loans. On the one hand, as a consequence of Formentini's request as well, their intervention was no longer necessary for investments exceeding the limit within which a company could have benefited from the subsidized credit; on the other, a large portion of the national production system could now have access to credit facilities because of the threshold increase. The gap between the cost of the money borrowed from the EIB and the subsidized rates granted to the beneficiaries again urged the institutes to call into question the additional burdens that neither Isveimer nor Casmez wanted to bear. In November 1961 Isveimer resumed his criticism towards the EIB, complaining that the clauses imposed in his loans overloaded the final rates charged to the beneficiaries.

The negotiation margin was tight and was conditioned by the delays that were occurring in the loans 'drawing' as well as in the 'depending contracts' stipulations, problems that were affecting the 'extraordinary intervention' system in its use of EIB loans. The Bank, which intended to protect itself against the consequences of these hitches, demanded the application of a commitment fee, which, according to Isveimer, weighed down the final rates. The alternative proposed by Formentini consisted of establishing by contract a series of 'fixed date' drawings, but this solution was not too welcome because it did not allow the disbursement elasticity that the both Cassa and institutes needed¹²⁶. In the end, most of the loans signed up until the second half of the 1960s were carried out on the basis of the 'fixed date' system, since, as the Bank's top management itself observed, the need to attract additional resources to Southern Italy's development program was preponderant compared to any other hesitancy¹²⁷.

The IBRD loan, granted in 1965, had the effect of attenuating the financial relations between the EIB and the regional credit institutes, which took a run-up again in 1968 with the Bank's decision to

¹²⁵ Cfr. F. Barca, *Il capitalismo italiano*, cit; S. Adorno, *Le Aree di sviluppo industriale negli spazi regionali del Mezzogiorno*, in M. Salvati, L. Sciolla, (eds.) *L'Italia e le sue regioni. L'età repubblicana. Istituzioni*, Roma, Treccani, 2015, pp. 375-394; Banca d'Italia, *Il sistema finanziario nel Mezzogiorno*, numero speciale dei Contributi all'analisi economica, 1990.

¹²⁶ Formentini reviewed the main points of the dispute with Isveimer, from the commitment fee to additional charges in the event of the loan early repayment, to the duration of the grace period. In the case of the 0.75% commitment fee, the EIB had studied the possibility not to apply this charge – provided instead by the IBRD – in the event that the beneficiary had agreed on a series of 'fixed date' drawings, which allowed the Bank to manage its own currency availability. This solution that, according to Formentini, had been favourably welcomed by the Italian beneficiaries since it allowed some savings, could now be reviewed after the new CICR provisions, which had extended subsidized interest rates to all industrial initiatives in the Mezzogiorno. It could indeed be that Isveimer, Irfis and Cis preferred to dispose of the funds according to need and without a prearranged program. In this case, Formentini was inclined to go back to applying the clause that appeared in the first World Bank loans type, implying that the 0.75% commitment fee should fall within the sphere of the relations between the Italian Treasury and the Cassa and be included in the compensation provided for by the article 40 of law 634/1957. Formentini recalled that "even the EIB, like World Bank, IMI, etc., finds capital according to conditions, duration and due dates that hardly coincide with those of the customers' individual cases". Formentini to Pescatore, 7 February 1962, EIBHA, Cassa 1957-1965, 3.32.

¹²⁷ The dispute on the commitment fee resumed between 1966 and the middle of 1967, when EIB and Casmez revisioned the 'framework contract', namely the root contract which regulated all the loan operations in the Mezzogiorno. Faced with the Bank's attempt to make the loan disbursement more flexible against the assumption by the institutions of a 0.75% commitment fee per annum on the sums not yet used within each project, ISVEIMER resumed his traditional objections. According to Formentini, in order to remove this obstacle, "it wasn't be able to do anything else but to maintain the current and well-tested system of EIB-Casmez 'fixed dates' disbursements system without applying the commitment fee" under the new contractual regulations as well. The dates and the relative amounts would have been fixed on a case by case basis "with the usual criteria of prudence already observed for the operations in progress and at the same time with the necessary adherence and proportionality with respect to the provisions of disbursement by the Institute to the beneficiary". Formentini to Pescatore, 13 September 1967, *ivi*.

introduce the so-called ‘global loan’. This one was a credit open line in favour of Isveimer, Irfis and Cis against the commitment by the institutes to invest these sums in favour of small and medium-sized enterprises as well as to allow the Bank to control the projects admitted to the financing. In this way, the EIB retained the function of ensuring long-term capital by thinning the financial market and preventing the stickiness of the internal foreign loan management mechanisms. The institutes, for their part, could finally have a tool very similar, in their accounting functionality, to a ‘revolving fund’. According to Dalla Chiesa himself the ‘global loan’ could resolve the problems encountered by the Bank in financing small and medium-sized enterprises. Until that time, these issues had ranged from the small entrepreneur’s impossibility of offering compelling guarantees against forex risk – which became consistent by the late ‘60s because of the monetary turbulence in Europe – to the Bank’s struggle to enhance the small-sized companies’ peculiar element, namely entrepreneurial qualities, instead of adopting the traditional criteria relating to the plants’ physical characteristics and the production sector’s economic aspects¹²⁸. Pescatore himself showed appreciation towards the new formula, which “met the needs of the Institutes concerning, on the one hand, finding adequate resources to be engaged and, on the other hand, the inconvenience to burden their offices and that of the beneficiaries with initiatives that are clearly classifiable as small and medium”. According to the president of Casmez, after a long time it was finally possible to identify the best solution to provide more articulation and flexibility in the use of loans¹²⁹.

The ‘global loan’ represented the EIB’s response to the changes, that were, in the second half of the 1960s, characterizing the industrialization policies in the South and the related debates. These ones, faced with the heavy industry growing difficulties, looked to an increasingly key role for small and medium-sized enterprises and were trying to build industrial interrelations within the development poles. Nevertheless, in the context of EIB loans, with the ‘global loan’ the three institutes definitively fell into line with the task of financing small companies, whereas the issue of the loans’ greater flexibility for medium and large projects remained open.

Irrigation enhancement, water infrastructures and ‘special projects’ during the Italian crisis

Between 1965 and 1971 the ‘extraordinary intervention’ discipline underwent a series of continuous shuffles aimed, on the one hand, at extending and refinancing the activities of the Cassa per il Mezzogiorno and, on the other, at establishing better coordination with the procedures of the national economic planning¹³⁰. On the latter side, there was the Coordination Plan for public interventions in the Mezzogiorno (‘Piano di coordinamento degli interventi pubblici nel Mezzogiorno’) approved in August 1966, and the Single Text on Southern Italy laws of June 1967, which introduced important innovations regarding intervention types and procedures. The Coordination Plan updated the industrialization areas through the concept, not entirely defined, of a ‘global development area’ (‘aree di sviluppo globale’), with which it was intended to recall the need for strengthening the interdependencies between agriculture, industry and specific sections of the service sector. This approach’s first consequence consisted in a greater attention to the role of both small and medium-sized enterprises and of reclamation and irrigation interventions in agriculture. The Plan also emphasized the function of infrastructural interconnections between the five major Southern ‘global development areas’, as well as between these ones and the marginal territories, which had to be achieved through road and railway routes and, finally, by means of large water supply schemes for civil, industrial and agricultural uses.

¹²⁸ See Romeo Dalla Chiesa’s speech, without date, in EIB HAS, Declaration et Conférences sur la BEI, 3.183.

¹²⁹ Pescatore to Le Portz, 27 April 1971, in EIBHA, Cassa 1966-1972, 1973-1975 3.33, f. 1971.

¹³⁰ M. Carabba, *Un ventennio di programmazione 1954-1974*, Roma-Bari, Laterza, 1977; G. Ruffolo, *Rapporto sulla programmazione*, Roma-Bari, Laterza, 1973.

As a result of these changes, the EIB was involved with increasing intensity in the implementation of infrastructural interventions and public work that posed new financing problems. In 1966, also thanks to the new allocations assigned to Casmez, the three irrigation projects of Metaponto in Puglia, of Nurra in Sardinia and of Ogliastro in Sicily were finally financed by the EIB. The range of operations of the Bank expanded even more in 1969 with the financing, for 15 billion, of the canalization work aimed at carrying the Pertusillo reservoir's waters to Puglia¹³¹. In this way, the EIB could experiment with innovative intervention forms on projects such as water schemes that, due to their inter-sectorial nature, were located halfway between a productive infrastructure and an investment in social overhead capital¹³². At the same time, the Bank closely experienced the difficulties that such interventions entailed, first of all in terms of delays and increases in construction costs. The Ogliastro project – refinanced in 1970 – was completed with eight years of delay and achieved, according to the Bank, an extremely “mediocre” outcome due to technical difficulties and incomplete work management. The Pertusillo aqueduct costs had increased by about three times, rising from 43 to 112 billion lire because of the continuous increases in costs as well as the inclusion of unexpected variants. The EIB services pointed out that the methods and organization of Casmez were to inevitably lead to certain gaps, above all in terms of the costs correct evaluation and the works monitoring. Nevertheless, it was also recognized that it “could not be entirely held responsible for the difficulties encountered in implementing the projects”, since delays and cost increases were inherent to certain types of operation, often vulnerable to interferences from other bodies, institutions, administrations or simply to the pressures of territoriality and local populations aimed at obtaining certain benefits¹³³.

Irrigation enhancement and water infrastructures proved to be peculiar also due to their ability to ‘drain’ the EIB loans, freeing other budget resources that, according to the ‘extraordinary intervention’ legislative provisions, could be reused in the industrial or agricultural credit¹³⁴. The EIB itself attributed the Casmez industrial incentives, whose origin was not specified, to its loans for irrigation and tourist infrastructures. On the other hand, as Dalla Chiesa noted, the Cassa had never concealed its intent to procure budget items by means of foreign loans in order to create revolving funds¹³⁵. The question arose a few years later in the context of some relevant ‘special projects’ (SPs), such as the one for the Apulian and Lucanian inter-sectorial water schemes.

As a matter of fact, the strong infrastructural ‘mark’ present in the second half of the ‘60s was confirmed by the subsequent Law 853/1971 for Casmez refinancing which, attempting to relate to the regionalization process started in Italy from 1970, reorganised the ‘extraordinary intervention’ around the so-called ‘special projects’. These were inter-sectorial and interregional programs for the construction of large general infrastructures, mainly aimed at facilitating the development of productive activities, contributing to spatial planning and to the equipment of metropolitan areas, as well as to safeguard natural resources.

¹³¹ *Memorandum Cassa-BEI*, 26 September 1969, in EIB HAS, Dossier JU. 1.0211.

¹³² The Management Committee built the notion of ‘productivity’ of the infrastructure around the possibility of making about 50% of the water resources from Pertusillo available to the Taranto iron and steel complex. This would have allowed freeing the Tara’s waters for agricultural uses. Furthermore, the EIB positively assessed the fact that the Pertusillo waters would reach the province of Lecce, where the Bank had never intervened with its loans. Y. Le Portz, *projet de rapport Pertusillo*, 6 December 1968, in EIB HAS, Contr.CD. 211. On water schemes see A. Bonatesta, *Il governo delle acque in Puglia. Dagli anni Settanta a oggi*, in A.L. Denitto, *Gli assi portanti. La Puglia. Acqua*, Napoli, Guida, 2012, pp. 101-161.

¹³³ *Direction des Financements dans la Communauté, Administration des projets Cassa*, 30 March 1979, in EIBHA, b. Italie I, f. Contrat-type envoyé à la Cassa et correspondance.

¹³⁴ Cassa per il Mezzogiorno, Servizio credito e finanza - Ufficio prestiti esteri, *Prestiti BEI per il parziale finanziamento di opere pubbliche della Cassa per il Mezzogiorno*, 1 October 1969, and Cassa per il Mezzogiorno, Consiglio di Amministrazione, seduta del 3 ottobre 1969, deliberazione n. 2957/C.316, in EIB HAS, Dossier JU. 1.0211.

¹³⁵ *Memorandum consegnato dal dr. Dalla Chiesa il 26 giugno 1973 a Roma*, in EIB HAS, Dossier JU. 1.0211.

The sectorial and regional distribution of the interventions

Between 1959 and 1972, the EIB and Casmez were able to sign and complete 148 loans for a total of about 425 billion lire, without the Bank ever bearing losses¹³⁶. Most of the interventions had passed through the structures of the Cassa that, in most cases, had managed them by means of the three regional financial institutions. However, of the 148 mortgages granted up to 1972, the 5 managed by the Cassa and the 13 disbursed directly to the beneficiaries represented 44% of the investments total volume, an evident sign of the greater amount of this kind of operation. The IMI's role was very limited, appearing on the scene of EIB loans in the Mezzogiorno only at the end of the 1960s.

In the industrial sector, up to June 1972, 141 individual loans and 5 "global loans" had been stipulated, starting 60 assignments off. These loans amounted to about 358 billion lire, in the scope of over 1,174 billion lire in fixed investments. 54% of these concerned the heavy industry, namely iron and steel and chemicals, and this percentage rose to 80% if one includes the interventions in the engineering, car and building materials industries. In the chemical sector, the EIB had contributed to the financing of large plants such as Sincat, Celene, SIR, Rumianca, ISAF and Chimica Dauna, as well as those used for the production of textile fibres, as in the case of the different SNIA factories. In the iron and steel as well as the metals transformation field, the two loans for the Taranto (1961, 1969) and the Bagnoli (1965) plants had absorbed approximately 75% of EIB investments in this sector, registering an increase in production capacity of 3.34 million tons of raw steel and 0.5 million tons of cold-rolled products. In the engineering sector, the first operation with the Alfa Romeo plant in Campania – refinanced in 1967 – was followed by the investment cycle carried out in the context of the so-called 'planned bargaining' ('contrattazione programmata'), with the Olivetti-Marcianise projects and the three Fiat factories in Bari, Lecce and Cassino, financed between 1970 and 1972. These four mortgages had benefited from investments of 39.5 billion lire, equivalent to 67% of all the resources used by the Bank in this sector.

In the period of 1959-1970, the Bank's contribution covered about 30% of the fixed investments made by the initiatives to which it contributed. This level was less than 52% recorded by all the Italian credit institutes since the EIB used to finance initiatives with a much larger average size: 5.8 billion lire against 630 million lire. The EIB projects that in the South had assured a strong use of labour represented 24% of the total investments achieved through its loans, against 62% of *capital-intensive* projects and 14% of intermediate ones¹³⁷.

Up to 1972, 43% of the interventions carried out in the Mezzogiorno by the EIB concerned infrastructure, in which the predominant part was assumed by transport and communications, followed by the production and transport of energy, interventions for agricultural accommodation and water supply. The Apennines were an obstacle to the coast-to-coast connections into the Mezzogiorno. They accentuated the Southern isolation as well as the distance from the most important European industrial centres. For these reasons the Italian authorities were committed with the roads and railways network improvement, in which the Bank was involved with the granting of two loans for the modernization of the Battipaglia-Reggio Calabria railway line and seven other interventions for the construction of great motorway connections in the continental Mezzogiorno and in its islands, in order to connect the main development areas of Campania, Apulia and eastern Sicily.

¹³⁶ See BEI, Direzione Studi, *La Banca europea per gli investimenti e i problemi del Mezzogiorno*, 1972.

¹³⁷ This estimate related to the jobs directly created by the projects and did not take into account seasonal workers, particularly numerous in some sectors such as the food industry, nor the number of jobs created by investments in factories extensions or modernizations. Including all these elements, including therefore the food industry, labour-intensive projects rose to 30% of the total value of the loans disbursed by the Bank in the period in question. BEI, Direction des Etudes, *Note: étude sur le Mezzogiorno - CA 95/72. Réponse aux questions posées par MM. les Administrateurs Christopher Forgarty, Raymond Prosser et Rupert Raw*, 28 février 1973, in EIBHA, Cassa 1966-1972, 1973-1975 3.33, f. 1973.

Sardinia and Apulia had the largest part of funding in 1958-63, thanks to significant initiatives in the chemical sector – the Rumianca at Cagliari, the SIR at Porto Torres – and in the iron and steel industry – the Taranto's Italsider –, as well as with two large loans for the construction of hydroelectric or thermoelectric power plants – by the Taloro river in Sardinia and near Brindisi. Campania recorded a marked leap forward in 1964-65 when the Bagnoli's Italsider was enlarged and a thermoelectric plant was built in Salerno. In the same period, other initiatives in the engineering, paper and chemistry field were developed in Campania. Sicily, instead, received high investments in the following two years, namely when the Ogliastro district reclamation and irrigation, the Messina-Catania motorway, a chemical plant in Gela and two food factories in Catania were financed. Between the end of the '60s and the first years of the '70s, with the advent of the 'planned bargaining', a high number of investments affected Apulia and Campania, especially in the mechanical sector. Funds were modest in Calabria, Abruzzo and Molise, whereas Basilicata had not benefited from any industrial or manufacturing production: the projects for the Mercure thermal power plant and the Metaponto irrigation were the only projects approved over its territory. In the context of the four regions that had the largest share of EIB funding, Sardinia showed a considerable concentration around the two most important urban centres, namely Cagliari and Sassari; Campania showed a high concentration along the Caserta-Naples-Salerno axis; in Apulia, investments flowed into Taranto and, with a lesser extent, Brindisi; Sicily had a significant concentration in the south-eastern part, between Catania and Syracuse.

Conclusions

The first fifteen years of EIB's activity confirmed the same issues of other international financial institutions, whose consolidation had occurred gradually and needed a certain period of time. The full expansion of the Bank's credit policy was conditioned by various factors, such as the formulation of the Community regional policy, the need to coordinate with the government authorities as well as the initiatives taken in the regional field by the public and private companies¹³⁸.

As soon as the impact was absorbed with the reality of an Italian economy in great transformation, increasingly characterized by the presence of the public enterprise and by the protection that the 'extraordinary intervention' carried out on Southern economic development, the Bank established a dialectic collaboration with the Cassa per il Mezzogiorno and the regional credit institutes, favouring a specialization of their respective tasks in the field of industrial incentives. This process led to some frictions in a few specific situations, especially with Isveimer, the most important credit institution in the South and the most reluctant to adapt itself to small and medium-sized industries. The Bank also necessarily suffered from the internal dynamics of the 'extraordinary intervention', including its legislative transitions in 1965 and 1971, which both represented for the EIB just as many moments of uncertainty and careful reflection about the characteristics and the foundations of its own activity in Italy.

Any assessment of the Bank's credit policy in its first fifteen years appears appropriate only if commensurate with the economic cultures and regional intervention paradigms in circulation, in Italy and Europe, between the end of the '50s and the early '70s.

As a whole, EIB loans showed a high degree of concentration at regional and industrial level. This means that the Bank's credit policy in the Mezzogiorno was not only closely dialogued with the most significant study experiences that the European Commission was leading in the '60s about the development poles, but also acquired the three criteria that had gradually become established in the Italian Southern-oriented policies: territorial concentration; the enhancement of the industrial interdependence phenomena; the attentive consideration of interventions in the field of infrastructures.

¹³⁸ In this regard, see for example the considerations of the same Formentini in *Le développement régional et la Banque européenne d'investissement. Allocution de M. Paride Formentini*, cit.

Almost 65% of EIB investments fell back into the industrialization areas and nuclei and only very few initiatives did not even fit into the ‘global development areas’ envisaged by the 1966 Coordination Plan. Certainly, the EIB could not avoid the distortions introduced on the national level in the conduct of industrial incentive policies, starting from the proliferation of industrialization areas, which ended little by little to elude, under the pressure of local political bodies, the criterion of concentration. It remains significant that, out of the over 40 industrialization areas or nuclei present at the end of the 1960s, only two – Naples and Taranto – had received significant funding on several occasions.

The sectorial concentration that can be observed in the Bank’s interventions all over the ‘60s appears more controversial. At the end of the decade, observers like Luigi Frey criticized this aspect, which led the young financial institution to gather its efforts mainly in the heavy industry large plants, namely the iron and steel industry as well as the chemical industry. Frey noticed that, in order to effectively realize a development pole, it was necessary to devise mechanisms of interdependence and productive complementarity, following with greater determination the indications contained in the Italconsult study about the creation of an engineering industry pole in Apulia, between Bari and Taranto¹³⁹. However, in the face of these criticisms it must be said that the Italian authorities themselves carried out the indications of the study in a different way since, within the Rome government itself, very strong tensions existed regarding the potential location for the engineering large plants. The EIB supported the ‘planned bargaining’ and, with the 1967-1972 loan cycle to Alfa Romeo and Fiat as well as the investments in the production of engines, mechanical components and valves, it seemed to go in the direction of experimenting interdependencies between the iron and steel industry and the automotive sector. It is also worth noting that, with the creation of ‘global loans’, the Bank’s activity showed unprecedented progresses in terms of diversification of loans granted to small and medium enterprises.

These elements lead us to consider the way the EIB was reactive with respect to the debate that was developing at the national level, about the limits of the strategy of large plants and the role that small and medium-sized enterprises should have assumed, as well as the claim for the relaunch of agricultural transformation and industrialization processes. The Bank’s commitment with the irrigation enhancement’s activities, although late, and the support given to the Southern water supply scheme represented important elements in this direction.

The interest rates of the EIB, which had the ambition to strictly follow the national public securities quotation, remained below the rates applied to private fixed-income securities issued by Italian companies between 1963 and 1965, overcoming them in the following years. They reproduced the rate situation quite well in the French and Belgian markets for private securities, while they were significantly lower than those in force on the German financial market. As a whole, the EIB kept up its interest rates, setting them at the same level as those relating to bond issues on the Community financial markets¹⁴⁰. Observing its statutory provisions, the Bank established them in such a way that they could be assimilated mainly by high-productivity industrial enterprises. The situation was different for the productive realities belonging to the Southern traditional local structure, typical of the whole 50s, as well as the infrastructures and transformations of the land and buildings, despite the application of much longer amortisation periods.

Ultimately, given its statutory limits and the legislative context in which it was operating in the South, during the 60s the EIB fully participated in the dynamics assumed by national industrial incentive policies. For the whole decade the Mezzogiorno grew at a very high rate and the gap with the Northern regions was reduced by 6 percentage points in terms of per capita GDP at current prices,

¹³⁹ L. Frey, *Banca europea per gli investimenti e politiche di sviluppo economico regionale*, «Mondo Economico», nn. 34-35, agosto 1968, pp. 11-22, in EIB HAS, 2.30. 2.20. Publications de la BEI 1961-1972. 3.183.

¹⁴⁰ See OCSE, Comité des Transactions Invisibles, *Etudes sur les marches de capitaux. Structure des taux d’intérêt dans certain pays de l’Ocde*, Parigi, OCSE, 1967.

passing from 53.4% to 59%. The EIB was a key player of this season, contributing to the building of the Southern heavy and basic industry and trying to support public and private capital investments in the iron and steel, chemical and engineering sector. For the same reason, the Bank failed to adequately grasp the national policies shortcomings in the transfer of Southern workforce from backward sectors – especially agriculture – to expanding industrial ones. The introduction of dynamic factors, with a high concentration of capital and low labour intensity, was not sufficient to offset the consequences of the decline of the most backward productive structures. A new layer of modern industries simply overlapped with the old production structure, without integrating it¹⁴¹. The Southern entrepreneurial bourgeoisie, faced with the rapid entry into the national and European development process, was completely downsized by the elements of dynamism introduced by the strong effort for industrialization. Besides, these remarks take on significance only if compared over a longer period and placed in relation to phenomena such as the crisis that in the early '80s would have invested the role of the Partecipazioni Statali in the Mezzogiorno and to criticisms about the vertical integration of large Southern public and private industry, subject to the industrial strategies of Northern management.

¹⁴¹ A. Del Monte, A. Giannola, *Il Mezzogiorno nell'economia italiana*, cit., p. 224.

